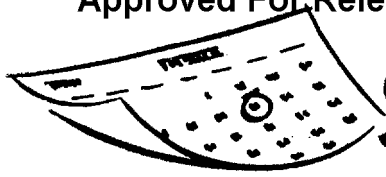


25X102db

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

Next 2 Page(s) In Document Exempt

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0



Significant Dates ▶

* MAR

- 14 Karl Marx dies. (Born 5 May 1818). 1883.
- 18 Kronstadt Uprising crushed 1921. Forty-fifth anniversary.
- 21 Hungarian Republic of Soviets formed with Soviet financial assistance to Bela Kun (overturned 1 August) 1919. Bela Kun executed in USSR purges of 30's
- 23 Pakistan assumed full independent republic status. 1952.
- 25 Treaties creating Common Market (EEC) and Euratom signed. 1957.
- 29 23rd Congress of the CPSU, Moscow.

APR

- 1 Berlin Blockade begins. 1948. (Ended by Soviets, broken by successful US airlift, 12 May 1949).
- 2 Molotov disclaims Soviet desire acquire new territory or change Rumania's social structure when Red Army enters, WW II. 1944.
- 4 First World Festival and Congress of Negro Arts, Dakar, Senegal April 4-24. sponsored by UNESCO and Society of African Culture.
- 7 Milovan Djilas arrested. 1962.
- 11 International Day of Liberation from Fascism, celebrated annually by International Fed. of Resistance Movements (communist).
- 12 Major Gagarin, USSR, first orbits Earth. 1961. Fifth anniversary.
- 14 Pan American Day. Commemorates creation of International Union of American Republics (1890). Ninth conference Bogota 1948 changes name to Organization of American States [OAS], 30 April 1948.
- 14 Chou En-lai proclaims state of war between Communists and Nationalists in Manchuria. 1946. Twentieth anniversary.
- 15 African Freedom Day.
- 16 Organization for European Economic Cooperation (OEEC) established to administer 17-nation European Recovery Plan [Marshall Plan]. 1948.
- 17 Nikita Khrushchev born. 1894.
- 17 Dissolution of Communist Information Bureau [cominform], last formal international political link of Communist Parties, announced 1956. Tenth anniversary.
- 18 Bandung Conference. 29 A-A countries call for self-determination and UN membership for all peoples. 18-27 Ap 1955.
- 22 Lenin born. 1870. (Dies 21 Jan 1924).
- 22 Chinese "Long Live Leninism" statements indict Soviet theory, challenge Khrushchev's leadership. 1960.

Briefly Noted



28 February 1966

"Voluntary" Population Transfers

Communists Settle "The Gypsy Question."

The Communists, it must be admitted, have a knack for turning a neat phrase. "The era of the cult of personality" was a remarkable bowdlerization of one of history's most despotic tyrannies.

Another remarkable euphemism has recently come to our attention: "to purposefully convince about the advisability [of something]." While probably not destined for the enduring notoriety of the "cult of the personality," it attempts to smooth over at least one awkward situation. An article in Rude Pravo on 20 December 1965 spoke of steps being undertaken to solve Czechoslovakia's "gypsy question." A government committee, naturally, was established "to study the question and to work out precise plans for a gradual and sensible liquidation of Gypsy settlements, quarters, and streets."

"To gain some sort of experience, at first a certain number of selected Gypsy families from Poprad District in the Tatra mountains will be transferred to several Bohemian districts, where there are very few Gypsies. Naturally the transfer will be voluntary, although the families will be purposefully convinced about the advisability of this." [Emphasis, needless to say, added. See attachment for summary of article.]

* * *

Common Grounds

"Socialism" and "Capital- ism" -- An International Misunderstanding

An attachment reprints an article from the January, 1966 issue of Foreign Affairs on the above topic by Ralph K. White, professor of Psychology and member of the Institute for Sino-Soviet Studies at George Washington University. The article is an extremely interesting study of how non-Communist foreigners and Americans differ in interpreting the terms "socialism" and "capitalism." It shows how each group is led to misunderstand the other's intentions and, correlatively, the vast ignorance on the part of foreign non-Communists of the ways in which the U.S., at least since 1933, has been extending the scope of government regulation and social-welfare legislation. White finds that what non-Americans call "socialism" differs only in emphasis, and not very greatly, from what middle-of-the-road and liberal Americans want; and that it is not necessarily American "capitalism" that non-Americans object to, but its extremeness, as they conceive it, i.e., excessive power for the rich and absence of social welfare for the poor. White says since the U.S. is "capitalistic" in the private-ownership sense, this fact unfortunately serves to sustain the assumption that the U.S. is also "capitalistic" in other senses of the word.

In Part III of the article, White recommends a series of steps

which can be taken to convey to foreign audiences a more realistic understanding of the U.S. and what it stands for. In covert approaches we might add to his recommendations, where the image is particularly distorted, that what the Communists call "socialism" is probably closer to what the non-Communist foreigners think "capitalism" is: monopolistic state ownership in Communist countries has turned whole countries into "capitalistic companies" whose bosses are the largest group of profit takers and ruthless exploiters*.

* * *

*Three
Versions*

The Soviet Economy
at the Start of 1966

Soviet broadcasts to international audiences paint a glowing picture of the economic results achieved in the USSR in 1965. Their domestic broadcasts were very favorable for the most part, but contained some expressions of disappointment. However, analysts conclude that the performance of the Soviet economy in 1965 was unimpressive. (See attachment.)

The Soviet broadcasts emphasized the high increases of both heavy industrial and consumer goods production. Analysts attribute these increases in significant measure to the results of the good Soviet harvest of 1964. In the light of the disappointing harvest of 1965 (grain production down substantially; aggregate agricultural production up 1% by Soviet announcement and off slightly by US estimate but in either event less than the increase in population), Soviet industrial results in 1965 will be

handicapped. Prospects for production in 1966 are further dimmed by the shortfall of investment in heavy industry in 1965 and the lack of evidence of an increased allocation for heavy industry in 1966.

No mention was made of housing results in the international broadcasts, and the domestic broadcasts were ambiguous. Small wonder, when the plan of 84 million square meters of housing and the late-1965 prediction of 80 million are contrasted with the actual completion of 78 million. Note that the miserable record of plan fulfillment in housing since 1959 (see BPG #179, Guidance #965) is continuing under the new leadership. Point out that the new leaders profited handsomely from the good 1964 harvest, which can be credited to Khrushchev. But when on their own in trying to muster an effective program to reverse the deteriorating housing record, they have failed.

The Soviets can be expected to pay substantial attention to economic plans and problems at the 23rd Party Congress. However, they will merely delude themselves, if they are as complacent about their economy at the Congress as they have been in their international broadcasts.

* * *

*NOTE: See Item #991, Communism and the Myth of the Left

PROPAGANDIST'S GUIDE to COMMUNIST DISSENSIONS



#72

Commentary

2-15 February 1966

Principal Developments:

1. The Polish Party on 5 January launched an apparently fruitless effort to convoke "in the possible time" a meeting of the ruling parties of the Warsaw Pact and "Asian socialist" countries "to discuss the coordination of aid to the DRV (North Vietnam) and NFLSV (Nat. Front for the Liberation of S. Vietnam) fighting against U.S. aggression." The Polish move is revealed when the Albanians on 12 February publish the brief Gomulka-signed letter of invitation to them (which referred to an enclosed, apparently longer, letter to the Chinese CP, not published) and the Albanian reply. The Albanians, after repeating most of their previous denunciations of the Khrushchevite revisionists, declare that they will not take part in any sort of meeting "to be attended by the present perfidious Soviet revisionist leadership." No other parties have yet referred directly to the Polish move, though Pravda on the 14th affirms Soviet support for "any initiative by other socialist countries in this direction."
2. Various Western press observers and government specialists are commenting on rumors and some factual evidence that the Albanians, perhaps disappointed with some aspects of Chinese aid and alarmed by the Cuban-Chinese fracas, are trying to develop friendlier relations with some Soviet bloc and Western countries.
3. The Chinese, seemingly obsessed with the spectre of encirclement by a coalition of the U.S. and USSR, together with Japan, India and all the other "imperialist lackeys," strike harshly and repeatedly on this theme throughout the period. On the 2nd, People's Daily says that the Soviet leaders see China as their "greatest obstacle" and again appeals directly to the Soviet people. On the 11th, Red Flag accuses the Soviets of "advocating power politics" and "flaunting their big-power chauvinist arrogance."
4. Pravda strikes back on the 16th anniversary of the Sino-Soviet treaty of friendship and mutual assistance with a devastating implicit attack on the Chinese regime's "naked anti-Sovietism," using a thinly-veiled parable in which the ostensible villains are the "reactionary Kuomintang ruling circles" during their reign over China. "British sources" surface a report of the content of the CPSU indictment of China which was reported as of the end of our last period as being circulated among Soviet party members (see Feb. 9 for details).
5. Castro climaxes Cuba's current indictment of Peking tactics with a sharp new charge of Chinese propaganda activity among Cuban officer personnel in defiance of his warning: he says the Chinese show "contempt

for and underestimation of smaller peoples." Cuba demonstrates its "independence" a few days later with a Granma attack on the Yugoslavs. The 1966 Soviet-Cuban trade agreement provides for a 22% increase over last year.

6. Japanese CP GenSecy Miyamoto, in Shanghai on the first stage of his delegations's month-long visit to China, joins senior CCP official Peng Chen in pledging to continue their common struggle against the modern revisionists. Various reports still differ on the purpose of the Miyamoto mission. Meanwhile the JCP looses another Akahata editorial attack on Soviet-American collaboration.

7. Rumanian officials are telling Western diplomats that Rumania will not participate in any sort of a Communist unity meeting unless the Chinese attend.

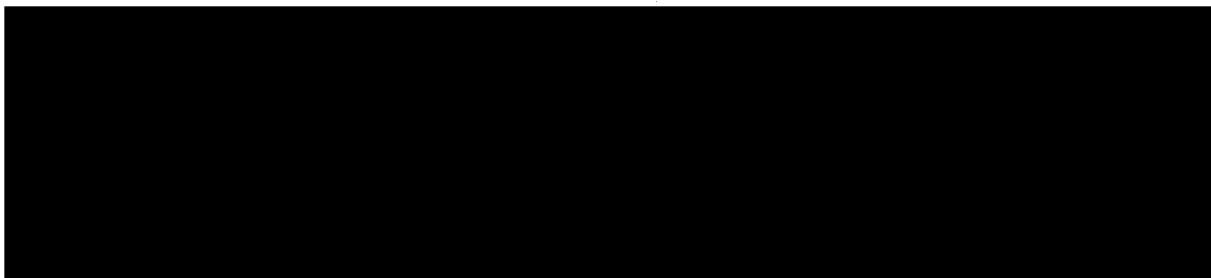
8. The 10th anniversary of the momentous 20th CPSU Congress came up as the period ended (the Khrushchev "secret speech" was delivered 25 February 1956), with warmly laudatory editorials by Polish and Yugoslav Party organs but no mention thus far in other Communist media.

Significance:

Soviet hopes to convene a multiparty meeting to demonstrate Chinese isolation -- this time via their Polish friend Gomulka -- seem to have been frustrated again. Plans and prospects for using the assemblage of delegations at the 23rd CPSU Congress, still scheduled for 29 March, remain completely obscure.

Castro seems to have come close to burning all bridges with the Chinese, and there may be some substance to speculation that the Albanians, alarmed by Castro's complaint of Peking's treatment (in addition to the other obvious Chinese foreign policy reversals of the past year and more), are attempting to avoid complete isolation with their Asian ally by trying to improve their relations with some East (and perhaps West) European countries.

Perhaps the most starkly visible development of this period is the language of the polemical warfare by both the Chinese and the Soviets, dropping all subterfuges of ideological argumentation and cutting through the usual issues of national power conflict.



25X1C10b

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

CHRONOLOGY --- COMMUNIST DISSENSIONS

#72

2-15 February 1966

January 17 (delayed): In a comment on the Soviet-Mongolian treaty signed during the Brezhnev visit to Ulan Bator (Chrono #70, January 12-17), Belgrade Radio's Moscow correspondent Sundic adds that:

"... Mongolia is not threatened so much by an invasion from outside as by a diversion inside the country, such as the case a year ago, when some members of the highest Mongolian leadership, incited by by China, were preparing a coup d'etat. The attempt was thwarted in time, but anxiety over a new coup d'etat has not been completely removed."

We have seen no further comment from Communist media.

January 29 (delayed): Radio Prague broadcasts a commentary by its Moscow correspondent Petranek on prospects for the 23rd CPSU Congress, namely: it will concern itself primarily with the economy, particularly with the new 5-year plan; and "it is expected in Moscow that in the near future a document will be published: outlining the main points for discussion.

February 1 (delayed): Japanese CP daily Akahata editorial criticizes Radio Moscow's recent broadcasts to Japan extolling the Sato Government's Asian policies and calling for Japanese-Soviet cooperation in the cause of world peace. NCNA publicizes the editorial on Feb. 10.

February 2: Peking People's Daily editorial, "Who Is the Soviet Leadership Taking United Action With?" is pegged to "the answer provided by U.S. VP Hubert Humphrey in his television remarks on 16 January," and especially his remark that "the Soviets are trying to build a containment wall around Communist China." As evidence of Soviet anti-China activities, it points to Soviet support of India, "ardent flirtation with the Japanese reactionaries," "peddling the 'peace talks' swindle of the Johnson administration," sitting side by side with ChiNat, South Vietnamese and South Korean "lackeys of U.S. imperialism" to discuss "Asian development," and the Brezhnev visit to Mongolia: "It is not hard to see what they were up to."

"Simultaneously with their stepped-up collusion with U.S. imperialism in Asia, the Soviet leaders are pressing further ahead with their policy of appeasement in Europe.

... To U.S. imperialism, pressing ahead with its counterrevolutionary strategy for world domination, China is the greatest obstacle, and it is also the greatest obstacle to the Soviet leaders pressing ahead with their general line of U.S.-Soviet collaboration to dominate the world.

(Chronology Cont.)

...It is inconceivable that the Soviet people, who have a glorious revolutionary tradition and for a long time had Lenin and Stalin as their teachers, will permit the Soviet leaders to pursue unchecked a line of capitulation to U.S. imperialism detrimental to the interests of the world's people and the Soviet people themselves...."

February 3: Commenting on the above PD charges from Moscow, Belgrade Radio correspondent Sundic says that they were received there "without much surprise" and are "evaluated as the most brazen fabrication thus far, designed to create distrust between Moscow and Hanoi and, on the other hand, to block all efforts of the SovGovt directed toward a political solution of the Vietnam crisis." Borba on the same day says that in accusing the Soviets of helping the Americans in "encircling China," Peking is "more taken up with its own strategy than with helping the DRV."

NCNA, reporting on Soviet delegate Tsarapkin's silence on the resumption of American bombing of N. Vietnam at the Geneva disarmament conference, adds: "Western officials quickly saw the connection between the Soviet delegate's indifference to the renewed bombing and the Soviet leaders' preoccupation with their plan to strike a deal with Washington on the 'non-proliferation of nuclear weapons' and other issues in betrayal of the interests of the people."

NCNA also reports on an article in the Tokyo daily Mainichi of 27 January by correspondent Noboru Watanabe, including the statement:

"Formerly the Soviet Union had been in line with Communist China in opposing the Japan-U.S. security system. But one can now hold that the S.U. has turned out to be united with Japan in the strategy of containing Communist China."

Tokyo JIJI reports that the Foreign Office on Thursday issued passports to JCP SecyGen Miyamoto and six other Party leaders for a month-long trip to China.

February 3-4: N. Vietnamese Party daily Nhan Dan (in 2 installments) and the February issue of Hoc Tap carry a long policy article by Politburo member Le Duc Tho. The first section, headed "Uniformity of thought and action on the basis of the Party political lines," reveals that within the Lao Dong "a small number of comrades have developed erroneous thoughts and views ... made an incorrect assessment of the balance of power,...see only difficulties and do not see opportunities; display pessimism, perplexity, and a reluctance to protracted resistance;" etc. Turning to the ICM, he admits that "many dialectical problems having great significance have been raised in the past few years and are still being raised, and the internal ideological struggle still goes on within this movement." He says that "our party carries on the struggle against revisionism -- the principal danger -- and simultaneously against dogmatism,"

February 4: People's Daily Observer article attacks Japanese Premier Sato's Diet speech on 28 January, as "a confession that his government's foreign policy is one of following the U.S. and aligning itself with the Soviet Union to oppose China."

Japanese CP daily Akahata bitterly denounces the Soviet Union for collaborating with the U.S. "Soviet subservience to the U.S., under the influence of modern revisionisms, could lead to the defeat of the ICM."

February 6: Albanian Party daily Zeri I Popullit attack on the "new steps to strengthen Soviet-American cooperation" at the Geneva disarmament conference concludes:

"The imperialists and revisionists may wave plans and hatch plots, they may conclude new agreements between themselves to the detriment of the people's interests, but the peoples will tear down their mask and foil their plans and plots."

NCNA publicizes an anti-CPSU article from the 27 January issue of Vanguard, organ of the pro-Chinese dissident CP of Australia (M-L), which includes the declaration that "the Soviet leaders are preparing for the 23rd Congress of the CPSU and for an international Communist conference." "The real purpose of these moves is to attempt to impose the Soviet revisionist line of fifth columnism for U.S. imperialism on the ICM."

A CPSU message of congratulations to the Indian CP on the occasion of the latter's 40th anniversary makes no mention of the split in Indian Communism or the dissensions in the ICM.

February 6-8: The Cuban press on the 6th features Premier Castro's reply to the Chinese Govt statements of 9 and 30 January rebutting Castro's January 2 statement on Chinese non-fulfillment of food supply commitments. Castro's new blast accuses the Chinese of massive distribution of propaganda among officers of Cuban military units, and of paying no attention to his warning that these "highly serious procedures" should stop at once. He describes Chinese actions as "the worst methods of piracy, oppression, and filibusterism," which show "contempt for and underestimation of smaller peoples." Most European Communist media report the Castro attack on the 7th, and Belgrade Borba on the 8th calls the Chinese restrictions on rice shipments reprisals because of "Havana's refusal to accept the attempts of Chinese diplomats and other personnel to behave like colonialists in this country."

February 8: Albanian Zeri I Popullit editorial, "Titoist Agency Interferes in the Internal Affairs of the Korean People, Thus Serving American Imperialism," accuses the Titoites of aiming "to thrust a wedge into the great friendship between the Chinese and Korean peoples." It adds:

"...The Khrushchevite revisionists have intensified their anti-Chinese propaganda and the campaign of monstrous clunnies against the CPR. They work actively to form a circle of 'fire' around the CPR..." Peking press plays the editorial on the 10th.

February 9: Washington Post London correspondent Meyer reports that "British sources shed new light" on the document indicting the Chinese which the CPSU is circulating among its membership (see #71, Feb. 1, for first reports), listing some of the charges it makes:

"The Chinese have failed to respond to Soviet efforts to restore normal state relations between the two powers.

Chinese have derided the Soviet Union as a 'bourgeois' state.

Peking has appealed for direct political action against Socialist states, thereby encouraging a split in the Communist camp.

There has been an increase in 'provocative incidents' along the Sino-Soviet frontier.

Chinese have frustrated attempts to assist N. Vietnam on a joint basis and have interfered with Soviet aid programs.

China has made efforts to embroil the Soviet Union and the U.S. in a war.

General Chinese indulgence in national chauvinism has led to foreign policy failures and could provoke the bourgeois states into a bloodletting....

China has abandoned ideological struggle for political struggle against Socialist states. The new situation requires the Communist movement to do three things....

First, to defend the M-L line. Second, to pursue the struggle for unity. Finally, to prepare favorable conditions for holding an international Communist meeting."

February 9, 15: Two East European Party organs mark the 10th anniversary of the 20th CPSU Congress with high praise for its momentous and brave decisions: Yugoslav Komunist on the 9th, and Polish Trybuna Ludu on the 15th. (We have not yet seen reports of any comment by the CPSU or other parties.)

February 10: A Pravda article by Pavel Kopin, director of the Institute of Philosophy of the Ukrainian Academy of Sciences, on "contradictions in social development," criticizes "petty bourgeois ideologists" and "leftwing sectarian interpretations" which create a "methodological foundation for a policy aimed at exacerbating international tensions,

absolutizing armed forms of revolutionary struggle, and ignoring all other forms of this struggle." He refers directly to "the CCP organ Red Flag, which speaks at length about antagonistic class contradictions and class struggle in Soviet society."

February 10 and continuing: A Japanese CP delegation headed by GenSecy Miyamoto arrives in Shanghai on the Chinese ship Hongqi to a demonstrative welcome on the 10th; at a banquet on the 12th, both Miyamoto and Peng Chen, CCP Politburo and Secretariat member, are reported (by NCNA) as expressing "hope that the two peoples would win still greater victories in their common struggle against U.S. imperialism, the Japanese reactionaries, and the modern revisionists."

February 11: No. 2 of the CCP's Red Flag carries a Commentator article, "Confessions Concerning the Line of Soviet-U.S. Collaboration Pursued by the New Leaders of the CPSU," based on two 1965 Soviet books: The Motive Forces of U.S. Foreign Policy (already commented by NCNA, 30 Dec., #69), and The USSR and the USA -- Their Political and Economic Relations. Commentator rails at the former for proclaiming that "Soviet-American relations, the relations between the two greatest powers of the world, constitute the axis of world politics, the main foundation of international peace," and preaching that "the two great powers -- the USSR and the USA -- bear special responsibility for the destiny of the world and of mankind." He also quotes the book's assertion that "at the present time, too, no territorial or economic disputes or conflicts exist between the two countries, and their national interests do not clash on either a world or any regional scale."

After treating the latter book briefly, Commentator says that "they are fine texts for teaching by negative example" and attempts to use them thus, including such choice passages as the following:

"....In these books they undisguisedly advocate power politics and shamelessly flaunt their big-power chauvinist arrogance.... They do indeed have common interests with the US imperialists; these are the common interests shared by the privileged Soviet bourgeois stratum, ... with the U.S. monopoly capitalist groups and the common interests of Soviet-US partnership against world revolution.

...Recently, they greatly accelerated their ganging up with U.S. imperialism.

The tripartite Soviet-U.S.-Indian meeting in New Delhi in January 1966 openly strengthened the united front against China...."

Supporting his charges, Commentator quotes from American spokesmen on the subject, including VP Humphrey on TV -- "The Soviet Union is attempting to build a containment wall, so to speak, around China" ("If this is not how things stand, why haven't the new leaders of the CPSU repudiated Humphrey's allegations?") -- and the NYTimes (17 Jan) --

"The conflict between the USA and the USSR must remain explicit; agreement must remain implicit. (They) are thus simultaneously both explicit enemies and implicit allies."

"The new leaders of the CPSU are taking united action with the US imperialists, the Japanese reactionaries, the Indian reactionaries, and all the lackeys of U.S. imperialism.... We will never take any united action with (them) as long as they do not abandon the Khrushchev revisionist line, do not change their line of Soviet-US collaboration, and do not abolish the Soviet-US-Indian-Japanese alliance...."

February 12: Western press reports (NYTimes from its correspondent Binder in Belgrade) rumors and some factual evidence that Albania, possibly disappointed with some aspects of China's economic assistance and alarmed by the Cuban-Chinese feud, might be moving toward warmer relations and increasing cooperation with its European neighbors.

On the same day, however, Tirana publicizes:

(1) a 5 January 1966 letter from Polish First Secy Gomulka which enclosed a PZPR CC letter to the CCP CC (not published) "concerning the question of the convocation in the shortest possible time of a meeting of the Communist and workers parties of the Warsaw Pact member countries and of the socialist countries of Asia to discuss coordination of aid to the DRV and the NFLSV fighting against U.S. aggression." Gomulka asks the Albanian Party CC "to examine the proposals contained in our letter addressed to the CCP CC and to support them."

(2) A long Albanian reply which repeats all previous Albanian denunciations of "the anti-China policy of the Khrushchevite revisionists" and asks: "How can one talk of 'unity of action?'... The Soviet revisionists need tranquillity to organize, along with U.S. imperialism, further hostile activity against the CPR and the other countries and peoples of Asia."

The letter concludes:

"The Albanian Workers Party CC declares once more, and in the clearest of terms, that the Party will not participate in the meeting you are proposing, nor in any other meeting of parties from the European socialist countries, as long as these parties have not publicly made amends for their tragic errors regarding the Albanian Party and people. In particular, the Party will not take part in any of these meetings ... as long as they are to be attended by the present perfidious Soviet revisionist leadership, which obstinately maintains anti-M-L, anti-socialist, and pro-imperialist Khrushchevite positions."

February 13: Cuban CP daily Granma editorial attacks a Belgrade Borba article on the Tri-Continent Conference as "slanderous and malicious," and accuses Yugoslavia of serving "Yankee imperialism." Reuters, referring to Castro's violent attack on China the previous week, reports that "observers said it showed Cuba meant to follow a line of independence within the Communist camp."

Peking papers reprint a violent anti-CPSU speech by pro-Chinese Belgian dissident Communist leader Jacques Grippa -- from La Voix du Peuple of 31 December 1965.

February 14: On the 16th anniversary of the Sino-Soviet treaty of friendship, alliance and mutual assistance, Pravda publishes an article by Koloskov, "There Is Great Strength in Friendship," which implicitly attacks the present Chinese regime's anti-Soviet policies, -- even while boasting that "for almost one and a half years now our Party has refrained from open polemics." First, he notes that "the first Chinese Marxist revolutionaries, Li Ta-chao, Tsui Tsui-po, and others, were passionate propagandists of Sino-Soviet friendship." Then K develops his parable:

"Reactionary Kuomintang ruling circles tried by every means to build a wall of alienation and hostility between the Chinese and Soviet people and conduct vicious anti-Soviet propaganda in the country. While concealing from the Chinese people the facts about Soviet aid to China in the war against Japan, Kuomintang propaganda cynically pointed accusations of collusion with Japan at our country, and the monstrous idea of a possible union of the Soviet Union with the imperialist powers for an attack on China was foisted on the Chinese people. While clumsily posing as defenders of the purity of revolutionary ideals, the Chiang Kai-shekites shouted about the 'degeneration' of the Soviet Union and Soviet 'red imperialism.'

A favorite trick of the enemies of Soviet-Chinese friendship was to fan nationalist attitudes among the Chinese people. In China, naked anti-Sovietism was opposed by the front of the Soviet Union's friends, which included the best representatives of progressive Chinese circles.... They fought hard to bring the truth about the land of the Soviets to China and to dispel the noxious cloud of slander with which reaction was trying to poison the minds of the Chinese people...."

Koloskov closes by referring to repeated Soviet proposals for unity of action in aiding Vietnam, says that "any initiative by other socialist countries in this direction finds support from the Soviet side, and asserts that the CPSU is "doing everything in its power for rapid attainment" of a return to the previous friendly relations between the CCP and CPSU.

Sofia reports the arrival of top Rumanian party-state bosses Ceausescu and Maurer "for a friendly visit."

February 15: People's Daily features a Commentator article, The Features of Accomplices, "which attacks 'the leaders of the Soviet Union' (not of the CPAU!) on the basis of a Berezhevskiy article entitled 'Geneva: The Disarmament Committee' in New Times No. 6. (NCNA had commented on the Berezhevskiy article on the 14th, saying that it "begins by hypocritically accusing the U.S. of 'escalation' in Vietnam, but it makes a quick turn and underlines its objective to collaborate with the U.S. in concluding a 'non-proliferation treaty.'") Commentator says:

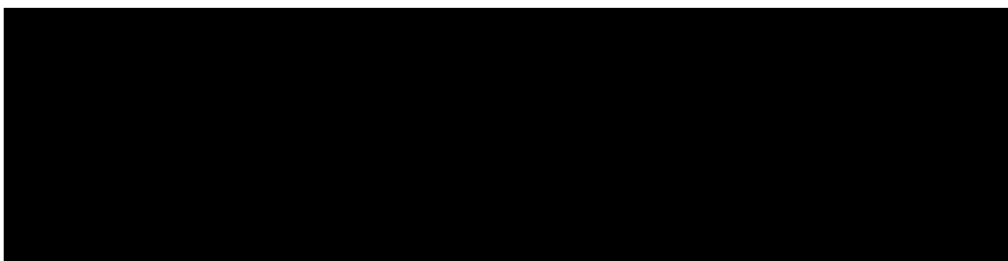
"The Soviet leaders and the Soviet press energetically advocate the application of the so-called 'Tashkent spirit' to the Vietnam question. This is merely an attempt to substitute the 'Tashkent line' for the Vietnamese people's revolutionary line of resisting U.S. aggression and saving the country, thereby putting the Vietnam question into the orbit of U.S.-Soviet cooperation for world domination...."

990.

SOVIET-EAST GERMAN
POLITICO-ECONOMIC RELATIONS:

The Erich Apel Case

25X1C10b



* * * * *

SITUATION: In spite of the widely-reported statement attributed to Erich Apel that the Soviet-East German Trade Agreement (TA) would be approved "over my dead body" and that he would "let the world know the truth," the exact circumstances which led to his taking his own life are still somewhat obscure. Immediate speculation flared up in the West German, West European and US press concerning the Apel affair, with journalists building part of their stories on such varied sources as official East German statements, "Eastern bloc diplomats," "members of the West German Socialist Party (SPD) with contacts in East Germany," rumor, and other newspaper articles. The press coverage of the Apel affair is summed up in the attachment.

The first U.S. magazine article on the Apel affair has appeared in The New Leader of 3 January, 1966 (see attached copy). The author, the well-informed Kenneth Ames, succeeds in scoring the Soviets and East Germans on a number of sore points, but by no means does he exhaust the possibilities for exploiting the affair. Furthermore, he has evidently drawn heavily on the above noted press coverage which, as Ames accurately states, contains "some ... fiction," particularly with regard to the existence in the West of an Apel "testament."

The essential facts are that Erich Apel, Candidate Member of the East German Politburo and Chairman of the East German State Planning Commission, killed himself on 3 December, 1965 at almost the precise time of the signing of the 1966-70 Trade Agreement between the USSR and East Germany.

The basic outline of the press reportage, which contains elements of speculation, has been: Apel's suicide was the culmination of his losing battle over the terms of the TA. His act was a form of protest against the exploitation of the East German economy by the USSR, and the hindrance the TA posed to the further progress of the New Economic System (NES). Apel had been under intensive pressure since September

1965 to subordinate his ambitious economic objectives to political realities. The pressure, from East German party chief Ulbricht and from Brezhnev and Minister of Foreign Trade Patolichev of the USSR, failed to budge Apel. He hoped until the last moment that the Soviets would modify their positions, as they had in earlier negotiations with some other Satellite countries. He felt that he had significant support from the younger, better-educated managerial class and his contacts with the emerging managers in other eastern bloc countries encouraged him. When the top East German leaders forced the acceptance of an agreement that Apel felt was against East German national interests, Apel killed himself.

Following Apel's suicide, it was widely reported by the press that he had threatened to "let the whole world know the truth" if the TA was signed. This in turn led to reports that Apel had left behind a written "testament." In spite of varied reports as to its form, contents and location, investigation has revealed no evidence of an Apel "testament" reaching Western hands; or, for that matter, that a "testament" exists.

Nevertheless, the rumored "testament" has served as a peg for discussions of subjects which give little comfort to the Soviets or East Germans.

According to one version (attributed to "informed sources" in West Germany), the "testament" was in the form of a protest against Soviet economic exploitation of East Germany. It described the negotiations of the past September in Moscow, and also the struggles within the East German leadership after the delegation's return. The heart of the memo was reportedly a detailed analysis of the terms of trade between the two countries under which the East Germans purchase raw materials from the USSR at world market prices, and are compelled to sell at prices as much as 40 percent lower than world market levels. The memorandum argued that discriminatory prices made impossible the institution of the NES and the attainment of living standards comparable to those in West Germany. To back up the latter charge, Apel was said to have included a realistic comparison of the level of living in the two Germanies.

Several elements of the press reportage on the Apel case merit discussion --

First, the matter of the terms of trade between the USSR and East Germany: Most Western scholars conclude that there is no evidence that in the early 1960's the East Germans did worse by conducting their trade on the agreed terms with the USSR than they would have done if substantially higher proportion of their trade had been with the West. Some, in fact, believe that the East Germans came off better than they would have under almost any other arrangement during the early 1960's. The terms of trade in the proposed 1966-1970 agreement [according to detailed analysis -- SECRET -- but based on open sources] will be less favorable than East Germany could obtain in the West, except possibly in West Germany.

A more important influence on USSR-East German relationships (and especially on Apel) is believed to be the significant differences between the proposed 1966-1970 trade agreement and the preceding agreement covering 1961-1965. The earlier agreement was based largely on Khrushchev's aim to help East Germany close the gap between its and West Germany's gross national product and level of living. Towards this end, Khrushchev was willing to expand trade and to extend generous credits. Khrushchev's successors, on the other hand, took a much tougher bargaining position. Instead of Apel's projected average annual increase in trade by about 7 1/2 percent, the increase will be on the order of 4-5 percent. It is also possible that the Soviets rejected Apel's request for credits. (Some Westerners believe there is some substance to the Soviet charge that the East Germans have exploited Soviet credits in order to increase their sales to the West while at the same time short-changing the Soviets on their agreed deliveries.) Probably one of the factors most galling to Apel was the Soviet position concerning machinery. The USSR insisted on a sharp increase in deliveries of Soviet machinery to East Germany even while Soviet negotiators were being increasingly selective about East German machinery and equipment. This resulted in the East Germans being forced to take what the Soviets offered, rather than being able to buy the hoped-for modern Western equipment, and also in depriving them of the ability to earn foreign exchange by selling their own light machinery and precision equipment to the West.

Apel's dedication to his job of building up the East German economy was known to be strong. Thus there is validity in the speculation that he took his life because of despair at the terms of trade and as a protest against a trade agreement which he considered a sell-out of his country's economic interests. To these feelings there should be added the reputed pressures put on Apel by Ulbricht and other East German leaders. Reportedly, the East German officials acknowledged privately that the pressures of political necessities had overruled economic thinking in making the East Germans accept the trade agreement. Perhaps it was Apel's growing awareness that his views would frequently be diametrically opposed to those of his leaders -- who were unwilling and, more likely, unable to oppose the Soviets -- and that when the chips were down he would lose, which discouraged him beyond endurance.

Nervous breakdown. Considering all the strains on Apel, the East German press may have been correct in stating that Apel killed himself during a moment of temporary insanity after suffering a nervous breakdown. However, unlike the probable action of the press of any Western European country, the East German press failed to pursue the reasons for the alleged breakdown and insanity. Nor did it mention that Apel had been in robust health at least as of June 1965, as reported by the press in the West. Instead, the East German press seems to have forgotten, as soon as possible, that Apel existed.

The two German economies. It will not be so easy, however, for the East German regime to forget the basic economic problem which underlies the Apel affair. Paradoxically, part of the regime's problem stems from

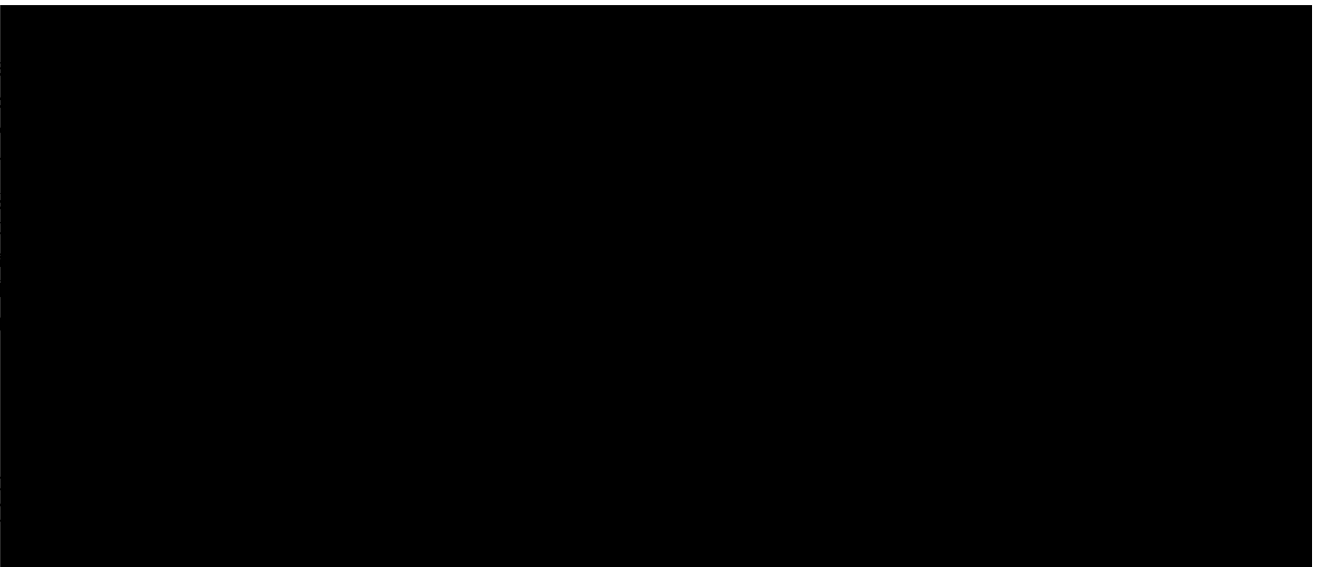
their economy's marked inferiority to that of West Germany, and part from the fact that the East German economy was beginning to look like a model for the bloc. In West Germany, the productivity of labor is estimated to be about 1 1/2 times that of East Germany. Furthermore, largely because of bungled agricultural policy, East Germany now has to import about 25 percent of its foodstuffs, whereas that same area was, on balance, self-sufficient in food before World War II.

Apel's initial success with the New Economic System (NES) bridged little of the gap between the two German economies, but it did show some promise of breaking the growth-slowness grip of "administrative planning." The decentralized approach under semi-autonomous profit-oriented management, as being introduced in East Germany, had evidently attracted the attention of the younger, technically educated managerial class in several other countries, Czechoslovakia in particular.

The Soviets meanwhile are in a poor position to offer help to East Germany. The allocation of resources in the USSR continues to be a particularly pressing problem. A poor grain crop in 1965 obliged the Soviets to buy wheat abroad. The resultant shortage of foreign currency deprives the Soviets of the power to purchase much-wanted advanced Western machinery and equipment. Not being able to buy enough modern equipment from the West, the Soviets applied unusually heavy pressure on the East Germans during the negotiations of the TA. Furthermore, the Soviets left blank that part of the TA which concerned the deliveries of grain in published accounts of the TA. The Soviet reluctance to commit themselves in public is a Soviet reaction to the high cost of buying grain from the West in 1963 and 1965 in order to fulfill their commitment to East Germany under the 1961-1965 TA.

In summary, then, the economic situation and outlook are poor for both East Germany and the USSR. One reflection of the situation is the Apel affair, which is still being given intensive economic and political analysis since it is believed that the affair provides clues to a basic situation which will trouble the USSR for at least the next year or so.

25X1C10b



25X1C10b

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

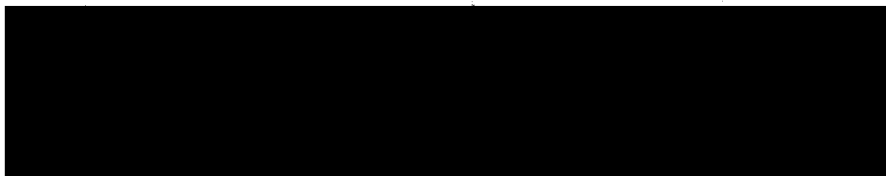
Next 1 Page(s) In Document Exempt

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

991 WE,WH,d.

COMMUNISM AND THE MYTH OF THE LEFT

25X1C10b



* * * * *

SITUATION: Communism has claimed title to and generally been accepted as the extreme political left. Where the left is interpreted as a more popular form of government or as a more progressive political posture, i.e., more representative and functioning more generally in the interests of all the people rather than for privileged groups, communism has been able to use this terminology to give itself a more favorable, more "respectable" image. More seriously perhaps, it has been able to draw support from what might be called the more legitimate left, damning it with faint praise as being the moderate or center-left.

Communists utilize their claim to be leftist [also "radical" and "revolutionary"] in appealing to dissatisfied or aggressive worker and peasant masses. Similarly, they attract the liberal intelligentsia in its stand against real or fancied social injustice and in its support of the current utopia, social experiment or revolution.

The status of communists, as leftists, has profited in some respects, roughly since the 1930s, from the general political trend toward the so-called left -- i.e., increasing government activity in caring for social welfare and civic needs of the general population. This development -- for example in the maturing socialist governments of Scandinavia, labor governments in England, the more recent center-left trend in Italy, and most recently in the fumbling of many less developed countries toward their own type of socialism -- is a logical response to major 20th century changes in other institutions. Economic advances (e.g., the economy of scarcity is no longer claimed to be the natural state; problems of the economy of abundance are demanding increasing attention), transportation and communication revolutions, and increasing concentrations of population (urbanization) are only a few of the socio-economic changes causing institutional political changes.

Political scientists and philosophers rank political forms on a scale moving out from center with communism at the extreme left and fascism at the extreme right. But some contend that these two systems are more like each other than either is to its neighbors, and that political forms arrange themselves in a circle rather than on a linear scale. For example, similarities between communism and fascism are noted as follows:

- government authority resides in a self-selected, -limited
- controlled, single political structure (party), supported
by monopolistic mass organizations of youth, women, labor
etc.
- parliamentary bodies of popularly elected representatives lack
autonomy, are subject to the autonomous party bureaucracy, and
serve as a rubber stamp for party-made decisions;
- succession is by a power struggle within certain self-selected
groups;
- authoritarian control (party oligarchy) is exerted over the
economy, education and other institutions, including communica-
tions.

The rightist complexion of communism is epitomized in the phrase used to describe their own society, namely "Dictatorship of the Proletariat."

Two major errors permit communism to be associated with socialism on the political left of the linear scale. One is the failure to distinguish between economic and political institutions. While "political economy" was the term originally used when the "dismal science" developed in England, it was the interplay between the two institutions which was of interest -- they were never assumed to be amalgamated. Nonetheless, in identifying its economic proposals as socialism -- despite the fact that the economic institutions of the two vary in significant respects -- communism also identifies itself with socialist political parties (i.e., the left). The maintenance of this economic-political fallacy is enhanced by the fact that communist parties compete primarily with parties of the left. In using the economic institution as leverage to dictatorial political power, communism recognizes the strong appeal of socialism's economic proposals, which include a "socialized" sector of the economy. But, the essential fact is that economic socialization is not unique to any one political party -- proposals for various degrees and types of "socialization" are made by many political parties.

The second error arises from the ingrained habit of using the left-center-right scale. Earlier periods were characterized by few government forms, and these were simple to differentiate, e.g., aristocracy-democracy, or monarchy-oligarchy-democracy. As popular governments increased in number and political parties proliferated, the economic and political criteria used to distinguish among them became intertwined and confused. The economic programs proposed by parties, as well as their varying mixtures of supporting interest groups, made the shadings among them more difficult to distinguish. But, beyond these problems of complexity, contradictions between structure and function, between fact and fiction led to error. More specifically, communist doctrine and programs profess a peoples' democracy, but the double government-party structure (operated partly by overlapping positions) shows a party oligarchy superimposed over the society;

the indoctrination-mass organization system purports to rest on peoples' voluntary activity, but in action it proves to be a party-control system.

The linear scale representation of political parties with its conceptual framework of left-center-right is now often misleading. Just as the current application of the conservative-liberal label to many older parties is now a misnomer, a new nomenclature is needed to accurately describe what political parties are today and what their relationships are to each other.

25X1C10b

25X1C10b

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

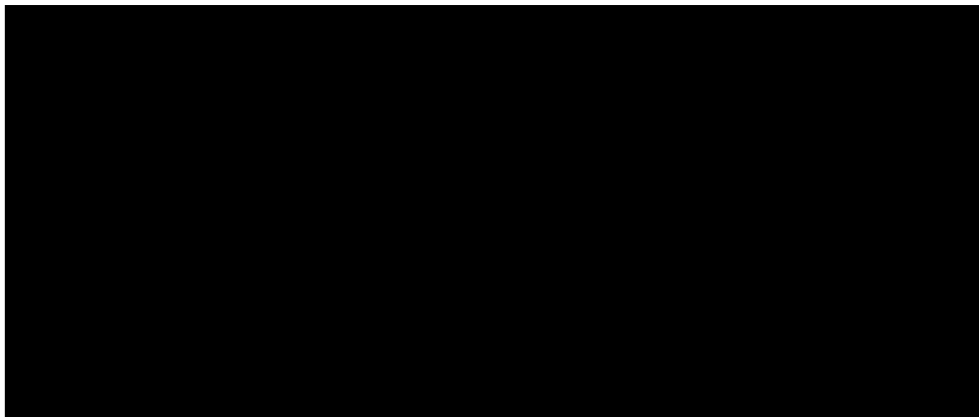
Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

992 FE,NE,a.

CEYLON: Communists in Disarray

Fan Communal Strife

25X1C10b



* * * * *

SITUATION: Since their defeat at the polls in the general elections in Ceylon last March - when the leftist coalition government of Prime Minister Sirimavo Bandaranaike was replaced by a more moderate and pro-West government under the leadership of Dudley Senanayake and the United National Party (UNP) - the communists and their allies have attempted to discredit the Government and create dissension among its supporters through constant propaganda, demonstrations and strikes.

Although the three-party Opposition, nominally led by Mrs. Bandaranaike and dominated by Trotskyites and pro-Soviet Communists, is actively working to erode public confidence in the Government coalition in all areas, it apparently decided to base its major attacks on the highly explosive issues of official language, religion and race. Serious communal riots - such as those of 1958 - could bring down the UNP Government. This is a political fact of life of which both Prime Minister Senanayake and the Opposition are well aware: rivalry between the Buddhist-Sinhalese and the Hindu-Tamil communities has plagued Ceylon for at least thirty years, and has led to a breakdown in law and order three times in the last decade.*

The most recent manifestation of heightened communal tensions was the leftist-inspired communal rioting which broke out 8 January in Colombo following the Government's proposals to enact legislation allowing greater use of the Tamil language. The police and military were able to control the

*See Biweekly Propaganda Guidance Item #892, "Ceylon: Socialists Lose After Communist Alliance," 12 April 1965, and Unclassified Attachment to this Guidance for background.

riots, although one Buddhist monk was killed and about 100 persons reportedly injured. Prime Minister Senanayake declared a state of emergency, strict curfews were imposed, public meetings banned and broad press censorship instituted.

The new regulations, which Parliament passed on 11 January, are designed to implement the spirit of language legislation enacted by the former socialist Sri Lanka Freedom Party (SLFP) government of Mrs. Bandaranaike. They permit the use of Tamil rather than the official Sinhala language for transactions between the government and the minority Tamils, who make up about 22 per cent of the population. The leftist Opposition now hypocritically maintains that the new regulations are prejudicial to the majority Sinhalese interests and will divide the state. The Opposition has accused Prime Minister Senanayake of making a secret pact with the leader of the Federal Party, which represents the Tamils. In spite of denials of the existence of any agreements prejudicial to the interests of the Sinhalese majority, suspicions still linger, and some discord has appeared within the ranks of the government.

That the January communal violence was short-lived was due partly to prompt action by the Government, which is determined to suppress civil disorder, and partly to the lack of popular support for the Marxist efforts to stir up trouble between the Sinhalese and the Tamils. Warnings that irresponsible attempts to make propaganda out of communal issues and to sow seeds of communal suspicion were not popular among the Ceylonese were clearly given last summer when many workers left the Communist and Trotskyist-dominated unions, and party branch offices closed down through lack of local support.

Public sympathy for the UNP government and its efforts to promote tolerance among ethnic groups (as well as its efforts to solve the pressing economic and social problems) was again indicated in the December 1965 Colombo Municipal elections, when Opposition candidates were defeated. At that time the pro-Soviet Tribune reported that the Left's employment of communal propaganda had "boomeranged" and the bulk of the voters had refused to be swayed by it.

Strangely blind to these warnings, the opposition parties continued to reveal not only their fundamental irresponsibility but their failure to assess popular opinion correctly. The token strike called to coincide with the tabling of the language legislation in January was almost a complete failure. The Government Clerical Services Union, for example, although controlled by the Trotskyite Lanka Sama Samaja Party (LSSP) was able to turn out only 20% of its members for the strike, and hundreds since then have resigned from the union. The defections from the pro-Soviet CCP and the LSSP unions have been seized upon by their pro-Chinese counterparts - the left faction of the CCP and the Revolutionary LSSP - to recruit the disillusioned workers into the pro-Chinese organizations.

Condemnation of the Marxists' tactics has been voiced on all sides, not only by the Government and moderate press. Quick to react to public indignation and the strong Government containment of the disturbances, most of the leftist and communist press joined in berating the Opposition ... with the singular exception of the publication of the pro-Chinese faction of the Communist Party of Ceylon.

The pro-Soviet Tribune wrote on 12 January, "Sanity and restraint must prevail. The problems of the country have to be resolved in Parliament and not on the streets," while the paper of the pro-Chinese Revolutionary Section of the LSSP, Samasamajaya, described the communist papers' inciting communal discord as "playing with fire" and "playing a dishonest, dirty, dangerous game." (Such as the campaigns carried in Forward, weekly of the pro-Soviet faction of the CCP.) The organ of the pro-Chinese faction of the CCP, Kamkaruwa, on 6 January stated that the pro-Soviet daily Attha was a disgrace to journalism. The Ceylon Daily News on 18 January carried an article by a leader of the pro-Soviet faction of the CCP who had resigned from the party in protest against its "communalism."

The communists in Ceylon violently disagree over problems of how to unite, with whom and on the basis of what tactics or strategy. The ideological conflicts between their respective masters in Moscow and Peking serve to further complicate their decisions. They are, nonetheless, dangerous and capable of keeping Ceylon in domestic turmoil.

25X1C10b

25X1C10b

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

Next 4 Page(s) In Document Exempt

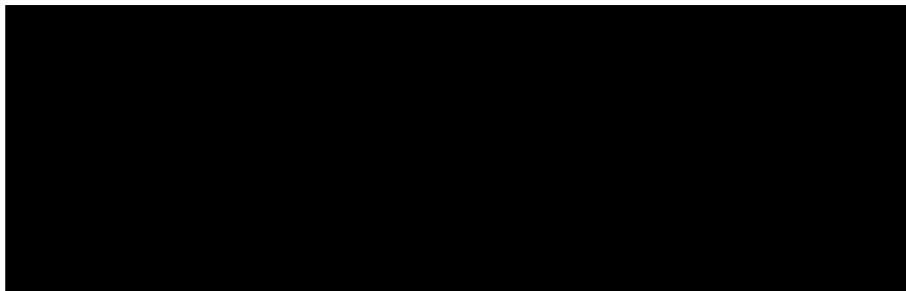
Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

994.

LUNA 9

Science and Propaganda

25X1C10b



* * * * *

SITUATION: With Luna 9 the Soviets achieved another significant first in space by persistently pursuing a simple, rugged approach in spite of 11 (SECRET) previous failures over a span of more than 3 (SECRET) years. The whole world, and particularly the US, has generously applauded the Soviets for their achievement. The technical aspects and scientific results are described and assessed in the attached article by the capable NYT space writer, Walter Sullivan. (See Press Comment, 15 Feb. 1966.

In sharp contrast to the credit due to Soviet scientists and engineers for the achievements of Luna 9, very low marks must be given to the controllers of Soviet journalism for the press treatment of the event. A study of Pravda clearly reveals a lack of timeliness, a condescending approach to Soviet citizens, a grasping of straw men to extract excessive propaganda value and, most telling of all, an underlying pathological secrecy.

The major basis for the above judgment is a content analysis of Pravda and the NYT issues of 4 thru 7 February 1966 (see attachment). Generally speaking, the NYT gave faster and broader coverage to significant and related space information and analysis, with all due credit to the Soviet achievement. Pravda delayed its news, wrote down to the Soviet public in scientific and technical articles, and devoted the bulk of its output to political aspects, propaganda and foreign commentary.

Soviet propaganda springing from Luna 9 seemed to have 3 objectives: to convince the Soviet people that Luna 9 was a monumental achievement (mainly by means of voluminous laudatory statements by foreigners); to inspire Soviets to work harder; and to attack the US. For example, Nobel Prize winner Sholokhov expressed extreme satisfaction over getting ahead of the conceited Americans who have to be told quietly: "You needn't yell about your prowess, you needn't think that you alone are able to do everything.... Life has taught its lessons to others like you, and has

broken their horns" (shattered their lances?). Gribachev contrasts US aggression with the peacefulness of the Soviet's Luna 9, and goes on to imply that the US is planning to use space and the moon for military bases.

Pravda's straw man who is conceited, ill-mannered, and aggressive bears no resemblance to any American portrayed in the NYT in the issues surveyed. Rather, the Times reports Americans praising the Soviets' accomplishment, making humble but not humiliating concessions that the Soviets had forged ahead in the soft-landing aspect of the moon race, and making sober, analytical summaries of US and Soviet achievements and prospects in several spheres of space and science.

Pravda, in producing a demonstrably gross distortion of American and Soviet postures, ignored NTY articles on significant and quite peaceful American achievements, e.g., the orbiting of Tiros 11, the world's first satellite system of full-time weather watching; an advance towards nuclear rockets for a manned flight to Mars; and the report that the USSR has made Nasser a guarantee of nuclear protection if Israel should develop or obtain special weapons.

The pathological secrecy and suspiciousness of Soviet society are well illustrated by the information which Western news media did not receive, for example:

a) The location of the launch site (to this day, Soviet citizens have not been given this information in open publications. They are told that Soviet rockets are launched at the "cosmodrome in Kazakhstan." Only once, in Pravda 8 Sept 1961, did the censors slip and allow mention of the launch of Titov's spaceship from the cosmodrome at Baykanur. This is the location the Soviets use in their releases of information for publication outside of the country. Baykanur is about 250 miles from the known launch site. Ridiculously, the actual launch site, Tyura Tam, is widely known in the West and is even identified as such on a National Geographic map printed in 1960);

b) Adequate data on the progress of the space ship (this lack caused Western experts in Moscow to expect the landing to occur 2 1/2 hours later than it actually did);

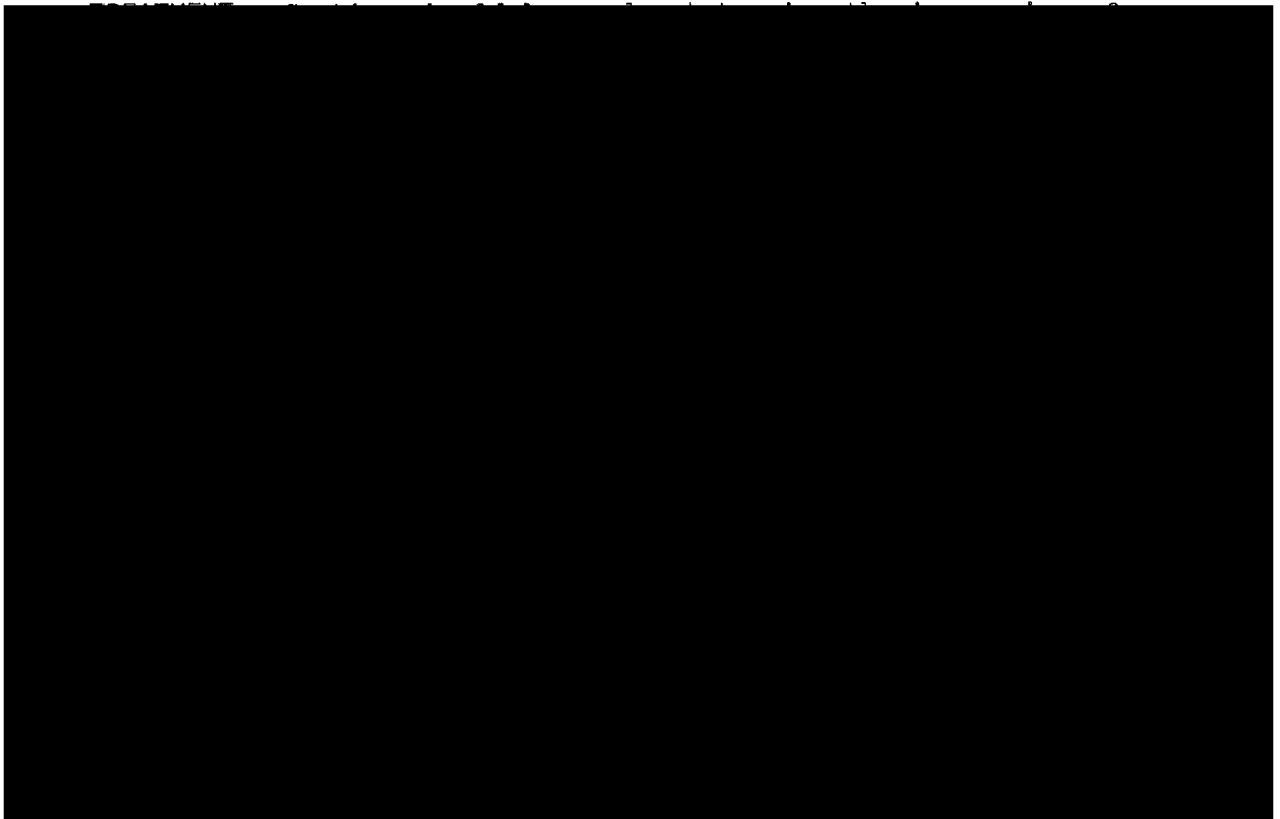
c) The lunar observatory's objectives and findings other than the TV photos (whereas the TV photos were transmitted by the facsimile method which is easy to intercept and reproduce pictures from, information on other research objectives was sent by telemetry which can only be interpreted by the possessor of the code (SECRET);

d) The names and organizations of the individuals participating in the moon shot (this is typical of the Soviet space program, except that astronauts are named).

Secrecy shrouds the Soviets' basic space program: its objectives, schedules, progress, problems, and results. It is probably based on fear of admitting failure, the typical rigidity of plans in the USSR, and the sensitivity to criticism of any kind. This Soviet complex is further expressed in the unbridled exultation of claims of superiority of the Soviet system, as "demonstrated" by the success of Luna 9.

Soviet secrecy is in stark contrast to the open US society which keeps the public and the world fully informed about developments in its scientific programs. While this openness gives rise to criticism at home and at times permits unfavorable comment abroad, it is a price which democracy can afford. But Soviet secrecy undoubtedly has an injurious effect on the operation of the society of the USSR and damages the Soviet image abroad. For example, the Jodrell Bank "scoop" on the moon pictures allowed speculation that the Soviets, fearful that they would not be successful, were withholding information until they were certain of success, or for other purposes serving their "disinformation" program.

25X1C10b



25X1C10b

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

Next 1 Page(s) In Document Exempt

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

“SOCIALISM” AND “CAPITALISM”

AN INTERNATIONAL MISUNDERSTANDING

By RALPH K. WHITE

Reprinted from

**FOREIGN
AFFAIRS**

AN AMERICAN QUARTERLY REVIEW



January, 1966

FOREIGN AFFAIRS
AN AMERICAN QUARTERLY REVIEW

JANUARY 1966

| | |
|-------------------------------------------------------|-----------------------------------|
| Revolution in Latin America | <i>George C. Lodge</i> |
| Europe: Decision or Drift | <i>Dean Acheson</i> |
| The Development Decade in the Balance .. | <i>George D. Woods</i> |
| "Socialism" and "Capitalism": | |
| An International Misunderstanding | <i>Ralph K. White</i> |
| The Burden of Leadership | <i>Anthony Eden, Earl of Avon</i> |
| Has India an Economic Future? | <i>Charles E. Lindblom</i> |
| Japan in Neutral | <i>Philip W. Quigg</i> |
| Problems of Dictatorship: | |
| The Russian Experience | <i>Joseph R. Strayer</i> |
| Adenauer at 90 | <i>Konrad Kellen</i> |
| Crisis Management: Berlin, Cyprus, Laos | |
| <i>John C. Ausland and Colonel Hugh F. Richardson</i> | |
| King Faisal's First Year | <i>Vincent Sheean</i> |
| "Chunnel" | <i>Frank P. Davidson</i> |
| Recent Books on International Relations ... | <i>Henry L. Roberts</i> |
| Source Material | <i>Donald Wasson</i> |

HAMILTON FISH ARMSTRONG
Editor

PHILIP W. QUIGG
Managing Editor

Editorial Advisory Board

| | | |
|---------------------|--------------------|------------------|
| ALLEN W. DULLES | HENRY A. KISSINGER | PHILIP E. MOSELY |
| ALFRED M. GRUENTHER | WILLIAM L. LANGER | ISIDOR I. RABI |
| GEORGE F. KENNAN | JOHN J. McCLOY | HENRY M. WRISTON |

58 East 68th Street • New York, N. Y. 10021
Subscriptions, \$6.00 a year, post free to any address

Copyright 1965, Council on Foreign Relations, Inc.
PRINTED IN U. S. A.

"SOCIALISM" AND "CAPITALISM"

AN INTERNATIONAL MISUNDERSTANDING

By Ralph K. White

“CAPITALISM is evil. The United States is the leading capitalist country. Therefore the United States is evil.”

It would be difficult to exaggerate the harm that this line of thinking has done. In the Soviet Union and Communist China it sustains attitudes and actions on which support for war can be based. In the non-Communist world, although the general picture of America is in many countries more favorable than some of us have supposed, our “capitalism” is often seen, like our treatment of Negroes, as a major blemish on that picture. In the minds of tens of millions it appears as a valid reason to suspect the motives of our foreign policy (*e.g.* in Viet Nam and in the Caribbean area) and to refuse coöperation with us in activities that, from our point of view, are designed to build a healthier, more prosperous, more democratic world.

To many Americans there is something quite baffling about all this. In the first place, we seldom think of our society as “capitalist.” To us it is a democratic society, or a free society, more than a capitalist society. And in the second place, when we do think of our economic system as capitalism (most of us prefer the term “free enterprise”), we seldom think of it as evil. Even the liberals among us usually accept and approve the idea of free enterprise. Why, then, do tens or hundreds of millions in other countries believe that we are capitalistic villains, or are “ruled” by capitalistic villains?

One obvious answer is, of course, Communist propaganda. Throughout the world there has been an organized Communist campaign to discredit capitalism and the United States as the leading exponent of capitalism. In the Soviet Union, Communist China and other countries with a near-monopoly of the means of communication, the idea has been systematically inculcated. But in the parts of the world not Communist-controlled this explanation seems too simple. Millions who are not Communists or even Marxists have been receptive to this element in Communist propaganda, and millions of others have come to it without much exposure to Communist propaganda as such. We are still faced,

SOCIALISM AND CAPITALISM

217

then, with the question: Why are people so receptive to the idea that the United States is the epitome of evil capitalism? Unless we can answer this question we shall not be effective in our effort to convey to them, through words and deeds, our own conception of what our country actually is like.

This article poses two answers: (1) There is a vast ignorance of the ways in which the United States, at least since 1933, has been extending the scope of government regulation and social-welfare legislation. (2) The words themselves, "socialism" and "capitalism," are ambiguous in a way that has helped this vast ignorance to continue.

It is now possible to support both of these propositions on the basis of several different kinds of evidence, including systematic public-opinion surveys, many of them sponsored by U.S.I.A., in various parts of the world.

For example, the first proposition—that there is a vast ignorance of social-welfare legislation and other New Dealish aspects of American life—is supported to a striking degree by a series of opinion studies conducted in 1962 in four major West European countries: Great Britain, France, West Germany and Italy. As there is no reason to suppose that West European thinking on this point has changed substantially since 1962, the main results probably are still valid, within a certain margin of error. And, since on this question the results were similar in all four countries, the findings can be legitimately combined and presented as a single composite picture.

The 5,146 persons interviewed were asked to place the United States on a scale extending from 0, representing a completely capitalistic economy, to 10, representing a completely socialistic economy. Leaving aside those who had no opinions, the results are shown in Graph I on the following page.

In order to appreciate fully the negative implications of these findings it is necessary to understand something of the meaning of the words socialism and capitalism in the minds of the persons interviewed. Evidence to be presented later indicates that to most of these people socialism does not mean primarily government ownership of industry (which of course is at a minimum in the United States) but rather government regulation of industry and social-welfare legislation. The great piling up of responses at the extreme left side of the graph therefore means, primarily, a nearly total denial of the existence of government regulation of

218

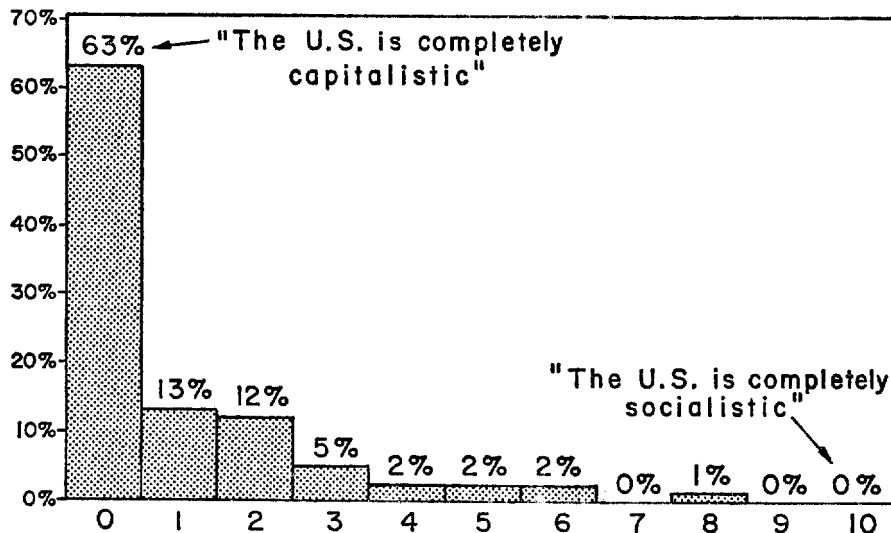
FOREIGN AFFAIRS

industry, and of social-welfare legislation, in the United States. Among the more well-educated West Europeans, it may be added, the one-sidedness is slightly, but only slightly, diminished; 54 percent of them place the United States at 0, and 19 percent place it at 1 on the scale.

There is no quantitative evidence as to whether the same image of an extremely capitalistic America exists in the minds of most of the politically conscious people elsewhere—in Latin

I. DEGREES OF "SOCIALISM" ATTRIBUTED TO THE UNITED STATES BY WEST EUROPEANS

Percent of those with opinions



America, Eastern Europe, Africa, the Middle East and Asia—but there are many indications that it may be stronger there. For instance, Bryant Wedge's study¹ shows that visitors from the developing countries on State Department "leader grants" are in many instances startled by the extent of our socialism (*i.e.* social welfare and government regulation of industry).

To what extent does the capitalist label imply disapproval? How many believe also that "capitalism is evil"?

The answer is not as one-sided as some have supposed. There are many millions, especially in Western Europe, Latin America and Japan, who do not see capitalism as essentially evil. To them it has connotations of high productivity and abundant oppor-

¹ Bryant M. Wedge, "Visitors to the United States and How They See Us." Princeton: Van Nostrand, 1965. See especially p. 99-115.

SOCIALISM AND CAPITALISM

219

tunity for individual advancement (and perhaps also of continuing privileges for people like themselves), outweighing its negative connotations of exploitation and unfair distribution of wealth. Also, in many of these countries the people tend to see American capitalism as better, more efficient and less exploitative than their own. Nevertheless, the survey evidence shows that even in Western Europe the negative connotations tend to predominate in the mind of the average citizen, to whom capitalism is on balance a slightly dirty word. And for large numbers of his compatriots (especially in France and Italy) it is a very dirty word. For these anti-capitalist millions, therefore, the prevailing assumption that America is extremely capitalistic constitutes a black mark—probably the major black mark—against it.

It should be noted too that in most of the world the word socialism is more unequivocally positive than the word capitalism is negative. Except in the United States, liberals tend to embrace the word socialism and proudly identify themselves with it. Approval of the word has been found to predominate in literally every country for which survey evidence exists, including Great Britain, West Germany and Japan as well as France, Italy, a number of Latin American countries and some in Africa and Asia. Among students, and in most of the developing countries in Africa and Asia, the predominance of approval is especially great. It follows, then, that when these people see the United States as being at the opposite pole from socialism, some degree of disapproval is implied.

These views contrast sharply with what most Americans feel about the word socialism, and also with their conception of where the United States stands on the scale from capitalism to socialism. In the United States, even liberals often dislike the word socialism and disclaim any association with it, emphasizing thereby their preference for free enterprise as opposed to government ownership and their unwillingness to go to the extreme which in their eyes the word socialism represents. As to American opinion of where the United States stands on the capitalist-socialist scale, the writer has conducted an informal investigation of his own, with surprisingly uniform results. Among 12 different American groups, including businessmen, college students, government employees and social scientists, the answers tended to cover a broad range in the middle of the scale, from a low of 2 or 3 to a high of 7 or 8, with the largest number (the "mode") at 4 or 5 or 6.

FOREIGN AFFAIRS

Usually some member of the group asked for definitions of both terms, and this led to a discussion of the semantic problem. It is noteworthy, though, that in judgments made before such discussion no one has ever placed the United States at 0 on the scale, and not more than one or two placed it at 1. By any definition of socialism, and regardless of whether they like the word or not, most Americans assume that their country has made at least a few steps toward it, and the average person thinks that we have gone about halfway.

Who is right? A more critical question might be whether we Americans really differ from the rest of the world on this subject as fundamentally as we seem to. Is this perhaps one of the many disagreements that tend to dissolve when words are carefully defined? Before asking who is right, there is need to examine the meanings that we and our foreign friends attach to our two key terms, not with a view to establishing any "true" or "correct" meaning but simply to explore the nature of the ambiguities in these terms.

II

Even within the United States, the meaning of the word socialism varies widely. In my own investigation, when the person who made the lowest estimate of the extent of socialism in America was asked to defend it, he usually mentioned the fact that most of the business of the United States is in private hands. The person who made the highest estimate usually spoke, with much distaste, of such things as social security, minimum-wage laws, government regulatory commissions, Roosevelt, the New Deal, and the continuing trend toward more government regulation and more welfare legislation—"creeping socialism."

Clearly, then, opinion on this issue is shaped not so much by different perceptions of the conditions as they exist in the United States as in different value judgments resulting in different usage of the two key terms. Some are interpreting socialism as meaning primarily outright government ownership of the major means of production, and capitalism as meaning free enterprise or private ownership of the means of production. They are the ones who see the United States as nearer the capitalistic end of the scale. Others are interpreting socialism as meaning primarily government regulation of business and also various forms of social welfare or concern for the economic underdog, usually at

SOCIALISM AND CAPITALISM

221

the expense of the upper dog. They are the ones who see the United States as nearer the socialistic end of the scale.

A fair degree of consensus, then, develops around the proposition that if we define socialism as government ownership of industry, the United States is at some low point on the scale (say 2). In other words, if it is defined in this way, we ourselves are not far from agreeing with the West Europeans who see us as being at 0 or 1 on the scale. On the other hand, if we define it as government regulation or as social welfare, it is more or less agreed that the United States stands somewhere near the middle of the scale or a little on the socialist side (say at 5 or 6).

It is significant that most of those interviewed (except, perhaps, conservative businessmen) are fairly content with the intermediate degree of government regulation and of social welfare (5 or 6 on the scale) that they attribute to the United States at the present time. If someone in another country wanted to know "what America stands for," this would be a fair, empirically based answer: in addition to political democracy (which these groups took completely for granted), the United States stands for a minimum of government ownership and a moderate amount of government regulation and social welfare.

An encouraging fact must now be recorded: when these issues are reduced to more concrete terms, and abstractions such as socialism and capitalism are avoided, most politically conscious people in other parts of the world seem to want something not very different from what Americans want. What others call socialism differs only in emphasis, and not very greatly, from what middle-of-the-road and liberal Americans want: political democracy, a mixed economy with a pragmatic decision as to how much industry should be in government hands (but with a preference for free private enterprise), and a medium-to-high amount of government regulation of industry and of social welfare.

This generalization has so many implications that it calls for fuller documentation. The evidence is of several types:

(1) The 5,146 West Europeans who were asked about the degree of socialism in America were also asked to indicate, on the same scale, how much socialism they wanted for their own countries. The results are shown in Graph II on the next page.

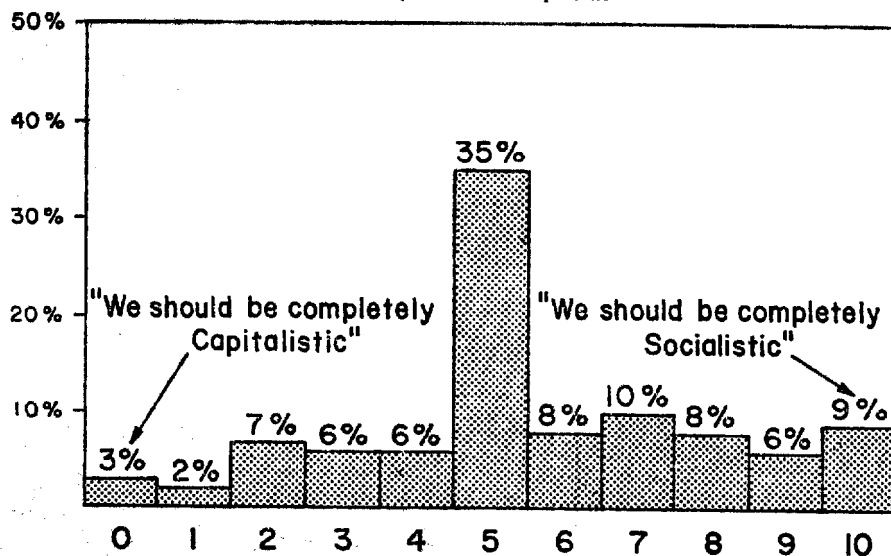
The avoidance of extremes is striking. Only 3 percent say "we should be completely capitalistic" (as most of them think the United States is), and only 9 percent say "we should be com-

FOREIGN AFFAIRS

pletely socialistic." By far the most frequent single choice is 5—exactly in the center between the two extremes—and the other choices are distributed fairly evenly throughout the entire range. True, there are more on the socialist side of the center than on the capitalist side, which is what might be expected on the basis of other evidence that West Europeans tend to favor the word socialism and oppose capitalism. More important, though, is the fact that just about two-thirds (65 percent) are within the middle range, from step 3 to step 7. Within their frame of ref-

II. DEGREES OF "SOCIALISM" FAVORED BY WEST EUROPEANS

Percent of those with opinions



erence (which may be somewhat different from ours), what they want does not seem very different from what we Americans want, or from what we think we have.

The graph also illustrates a rather general finding with regard to public opinion in the world as a whole: there is usually a strong tendency to pull toward the middle, and to avoid extremes, in any frame of reference. It is often assumed that the natural human tendency is to view the world in stark black-and-white terms; this thing is all good and that is all bad. There is such a tendency, but it is continually counteracted by another tendency to try to combine opposites and to seek a middle ground.

In recent years we Americans have become especially aware of this middle-seeking inclination in ourselves. What many have not

SOCIALISM AND CAPITALISM

223

realized is that in many other countries there is also a tendency to take it for granted that mediums are usually happy, that means are usually golden, and that the middle of the road is the best place to be. People differ not so much in their preference for a middle position as in their conception of where the "middle" is and in their beliefs as to who occupies that enviable spot.

The existence of this tendency can give some legitimate encouragement to those who want to avoid a final division of the world into two warring camps, and also to those who distrust the Marxist premise that our historical epoch is characterized, necessarily, by a struggle to the death between capitalism and socialism. It may well be that the ordinary citizen in other countries reflects the pervasive influence of Marxist thinking in the very fact that he accepts these terms as appropriate in describing his world. Even so, his tendency to seek a middle ground may cause him to resist the further Marxist insistence that he must, logically, be on one side or the other.

In any case, it is only against this background that we can fully understand the feelings of those who imagine that the United States is an extremely capitalistic country. It is not necessarily our capitalism as such that they object to; most of them would probably object nearly as much to extreme socialism. What is more objectionable to them is the extremeness, as they conceive it, of what we appear to be.

(2) Like Americans, most people in most other countries are against Communism.

Perhaps because we have been afraid of thinking wishfully, we have seldom allowed ourselves to appreciate fully the extent to which at least the word Communism is disliked and rejected outside the U.S.S.R. and Communist China. Throughout most of the rest of the world a sharp distinction is made between socialism and Communism, with prevailing approval of socialism and disapproval of Communism. This contrasts with the situation in the United States, where the two terms are often used more or less interchangeably. Paradoxically, the Communists do somewhat the same. In their propaganda, Communism is often given the special meaning of a stage of abundance following the stage of socialism, but the two terms are also often used without distinction.

For most of the world, even where there is nearly unanimous approval of socialism, the word Communism has negative conno-

tations of dictatorship, violence and atheism that outweigh its positive connotations (which to some extent it shares with the word socialism) of social justice and help for the poor.

To be sure, this does not mean that the developing countries are immune to seizures of power by Communist-led groups. Recent history has shown that it is only too possible for leaders in such countries to conceal their Communist allegiance and climb to power under more innocuous labels such as scientific socialists, nationalists or simply socialists. Nevertheless, the fact remains that great numbers of people outside the Communist blocs share our belief in political democracy (with some vagueness as to how that term should be defined), our distaste for dictatorship (at least on the conscious verbal level), and our belief that the political system in the Soviet Union and Communist China is a dictatorship. We should not allow our own tendency to confuse socialism with Communism (or the similar Communist tendency to use the two terms interchangeably) to lead us to ignore or underestimate the importance of this common ground. Their approval of socialism does not mean that they are pro-Soviet, pro-Chinese or "soft on Communism."

(3) In the minds of most of the politically conscious people in the world (excluding the Communist countries, the Communist parties elsewhere, and perhaps the United States) the primary meaning of socialism is not government ownership of industry but government responsibility for social welfare. For instance, in many countries where a majority favors socialism, a majority also favors private ownership of industry. To many Americans these terms are opposite by definition, and only loose thinking could cause one to favor both. Yet in Great Britain, West Germany and much of Latin America, for example, both *are* favored. And if to them socialism means what the New Deal means to us, it is not illogical for them to favor both socialism and private ownership of industry. Here too they are only agreeing with liberal and middle-of-the-road Americans.

When people in other countries are asked, "In your opinion, what does socialism mean?" they do not often speak of government ownership. Among the illiterate *campesinos* of Central America, for instance, replies in terms of "brotherhood," "equality" and "helping the poor" were frequent, while replies in terms of government ownership were almost nil. When West Europeans were presented with a choice between "social welfare" and

SOCIALISM AND CAPITALISM

225

"government ownership" as a definition of socialism, about 70 percent of those with opinions said "social welfare."

Not only ordinary citizens, but also political leaders who call themselves socialists emphasize brotherhood and social welfare much more than government ownership. This has been true of Nehru, Nasser, Bourguiba, Sukarno, Ne Win, Sihanouk, Senghor, Nyerere and many others. Bourguiba, for instance, links socialism with the brotherly traditions of Islam:

Our method is that of solidarity and association as members of one family united under all circumstances. This is Neo-Destourian socialism. . . . These qualities are not foreign to us. They were the characteristics of the Prophet's companions in the first century of Islam, who were socialists before the invention of the word. . . . They were not individualists; not one among them sought enrichment at the expense of others.

There is no mention here of government ownership. Similarly Nehru, who favored a "socialistic pattern" for India, did not insist on anything like complete government ownership of industry, but rather a common-sense, pragmatic criterion of how much industry should be nationalized. In Parliament he said:

The idea which is sometimes put forward by some honorable members opposite, that a general scheme of nationalization would bring about great equalization, is incorrect. Drastic equalization in that way means simply equalization of the lowest stage of poverty.

(4) A large amount of similar evidence leads to the conclusion that the prevailing meaning of the word capitalism is not private ownership of industry (which is by no means generally opposed) but a society in which rich men (capitalists) are believed to have entrenched themselves in positions of political power (through their ability to pay campaign expenses, control newspapers, bribe legislators, etc.), and are believed to be therefore in a position to block the social-welfare measures that the majority of the people want and need. In brief, capitalism to them means excessive power for the rich and absence of social welfare for the poor. All of this actually makes more astonishing their misperception of the United States as an extremely capitalistic country, in contrast with the moderate socialism that they attribute to themselves.

In fairness, a great many of them (again excluding the Communists) have a general image of America that is more fair and favorable than some of us have supposed. They know from many sources that the average American lives comfortably, and that our system has achieved very high productivity, with much op-

25X1C10b

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

SOCIALISM AND CAPITALISM

227

to take more or less for granted, the progressive income tax (enforced, as it often is not in the newly developing countries), workmen's compensation laws, child-labor laws, social security, public assistance programs, minimum-wage and maximum-hour legislation, unemployment compensation, government support of labor's right to bargain collectively, regulation of utilities, regulation of the stock market, government action to ward off depressions, state-supported higher education on a scale unequaled elsewhere. We know that, whatever the elements of unwisdom in our foreign policy may be, they reflect the unwisdom of the majority in all classes rather than the excessive power of any one class. But it is precisely these concrete things that most of those who look at us from abroad literally do not know.

It seems clear, too, that this vast ignorance is in part based on the ambiguity of the two key words. Since the United States is undoubtedly "capitalistic" in the private-ownership sense, this fact serves to sustain, by illegitimate association, the assumption that the United States is also "capitalistic" in the other senses of the word—which it is not.

III

What can be done to communicate to some three billion human beings a more realistic understanding of what America is and what it stands for in its relations with other countries? Certain possibilities are at least worthy of consideration:

To tell them often, officially and unofficially, about all the ways in which the United States has moved in the direction of social welfare. Even the conservative American businessman who feels that his country has gone too far in this direction can perform a constructive service by expressing this opinion frankly and frequently in conversations with foreigners.

To inform ourselves (especially Americans working or traveling overseas) so that we can talk about these things concretely and accurately.

To promote enlightened social-welfare policies on the part of American companies doing business overseas—many of which do in fact now have such policies.

To bring more foreigners to the United States to see for themselves.

To make sure, in case a desire to avoid a Communist takeover in a developing country leads us to consider intervention on be-

half of a group that is generally regarded as reactionary, that proper weight is given to the probable repercussions in other parts of the world, and to recognize that these repercussions are likely to include not only condemnation of our intervention as such but also a stiffening of the assumption that the United States is capitalistic and that capitalism represents reaction.

To recognize that the "high middle ground," in the world as a whole, is occupied mainly by people who see themselves as democratic socialists; to avoid alienating them by confusing socialism with Communism and condemning both in the same breath; to avoid needless emphasis on issues in the area of socialism that we and they may disagree on, and to emphasize instead the principles of democracy that we and they have in common.

To treat the question of how much government ownership is desirable in a given country as a practical rather than a moral question. The practical arguments against it are often strong. Nevertheless, the political élites in many developing countries tend to believe that they have a special need for government planning and government investment at the points in their economy where the need for development is great and private investment is not forthcoming. Most of them, as Nehru did, are seeking a happy medium between the extremes of all-private and all-government ownership of industry. If we express blanket disapproval of government ownership as if it were for us a matter of principle, we necessarily appear in their eyes as doctrinaire capitalistic extremists and as opponents of what they want most, which is economic progress.

To reject completely the Communists' effort to define the conflict between us as primarily a conflict between socialism and capitalism, rather than between totalitarianism and democracy or between conflicting national orientations.

To avoid needless use of the words socialism and capitalism. Both are full of semantic pitfalls. Both are obstacles to clear communication and mutual understanding and their use perpetuates the worst misperceptions of what America is. We can then define what America stands for unambiguously as a maximum of democracy, a minimum of government ownership, and a medium-to-high amount of social welfare. This would promote not only clearness of thinking and of communication but also good will toward America and mitigation of the conflict between East and West.

Czechoslovakia
20 December 1965

Steps Undertaken to Solve Gypsy Question

[Summary translation of articles]

Some 200,000 Gypsies are now living in Czechoslovakia, including 140,000 in Slovakia. Although the solution of the so-called Gypsy question is not easy, the state organs could do far more than they actually do.

On the initiative of the party Central Committee, a government committee was established for the solution of the Gypsy question headed by J. Kriz, deputy chairman of the Slovak National Council. The advisory committees of the district and regional national committees for these questions are to be changed into an authoritative organ and their secretaries will be at the disposal of this organ. Further considerable means are being allocated, particularly for the elimination of Gypsy settlements with all their primitivism.

It is envisaged that by the end of January the regional national committees will work out precise plans for a gradual and sensible liquidation of Gypsy settlements, quarters, and streets. To gain some sort of experience, at first a certain number of selected Gypsy families from Poprad District in the Tatra mountains will be transferred to several Bohemian districts, where there are very few Gypsies. Naturally the transfer will be voluntary, although the families will be purposefully convinced about the advisability of this. In support of this the Central Trade Union Council will work out a draft regulation whereby family allowances will be paid in accordance with the regularity with which the Gypsy children go to school. New ways of paying social security allowances are under consideration.

Since many rumors circulate about the Gypsies, an exhibition will be opened to show their way of life and the path toward changing this life.

February 1966

Analysis of USSR Plant Fulfillment in 1965

The 1965 rate of increase in the production of consumer goods approached that of capital goods for the first time in recent Soviet history. This reflects the availability of ample supplies of agricultural raw materials for light and food industries following the good 1964 harvest as well as a relative increase in the priority assigned by the regime to production in these traditionally low-priority sectors. From the data given, however, it is apparent that the 8-percent rise in the combined output of these industries was almost wholly due to increased food production.

Agricultural production is claimed to have increased last year by a meager one percent, a rate of growth which failed to match the rate of population increase. Soviet statistics indicate that total grain production declined 21 percent to 120.5 million metric tons (MMT), whereas analysts estimate that the grain crop fell by 20 million metric tons to 100 MMT. The output of animal products increased enough by Soviet reckoning to keep the official overall figure positive, but analysts estimate that total agricultural production fell slightly.

Living standards improved moderately last year in the wake of the largest rise in average nonfarm wages since the war -- mainly as a result of the 1964 wage reform for service workers -- and a 10-percent increase in retail sales. Although the data on sales of selected consumer goods show substantial growth, the absolute amounts produced still remain far below effective demand.

A 19-percent rise in savings deposits underlines the problems of increasing purchasing power and an inadequate supply of acceptable consumer goods and services. Construction of new housing fell well below both the 1965 plan and the 1959-64 average, even though private cooperative housing increased by 25 percent.

An area of considerable improvement last year was the relative shift of the economy toward supporting agriculture as a consequence of a new program for this sector announced by party first secretary Brezhnev last March. The output of many of the key industrial goods purchased by farms increased last year, and a 16-percent increase in collective farm income was a major factor in the 7-percent rise in real per capita incomes of all workers. Although this trend relatively favoring agriculture is planned to continue throughout the rest of the 1960s, the absolute disparities between the rural sector and the urban industrial complex will persist for years to come.

(Cont.)

February 1966

SOVIET ECONOMIC PERFORMANCE, 1963-65

TABLE 1 - COMPARISON OF SOVIET DATA AND ESTIMATES OF ANALYSTS

| | 1963 | | 1964 | | 1965 | |
|---------------------------------------------|-------|-------|--------|-------|-------|--------------|
| | USSR | ANAL | USSR | ANAL | USSR | ANAL |
| NATIONAL INCOME (Marxist Concept)* | 4 | | 9 | | 6 | |
| GROSS NATIONAL PRODUCT (Western Concept) | | 1 1/2 | | 7 1/2 | | 3 1/2 to 4** |
| INDUSTRIAL - Gross Value of Output*** | 8 | | 7 1/2 | | 8 1/2 | |
| PRODUCTION - Net Value Added | | 5 1/2 | | 5 1/2 | | 6** |
| AGRICULTURAL - Gross**** | 7 1/2 | | 14 1/2 | | 1 | |
| PRODUCTION - Net | | -5 | | 11 | | -1 to -2 |

*The official measure excludes the value of services and overstates the contribution of industry by including all indirect taxes.

**Preliminary estimate based on incomplete data.

***Including double counting of raw materials and intermediate products.

****Including double counting of livestock products and animal feed.

TABLE 2 - GROWTH OF SOVIET INVESTMENT AND CAPITAL STOCK

| 1965 TRENDS | | ANNUAL GROWTH RATES | | |
|----------------------|------------------------|---------------------|--------|-------|
| | | 1963 | 1964 | 1965 |
| GROWTH OF | | | | |
| INVESTMENT --- DOWN | GROSS FIXED INVESTMENT | 5 | 9 | 4 1/2 |
| | In Agriculture | 10 1/2 | 18 | 13* |
| | In Industry | 7 | 12 | 9** |
| | | 10 1/2 | 9 1/2 | 10 |
| PRODUCTIVE | CAPITAL STOCK*** | | | |
| CAPACITY --- STEADY | | | | |
| NEW | UP | | | |
| HOUSING --- SLIGHTLY | ADDITIONS TO | -2 | -5 1/2 | 2 |
| | HOUSING**** | | | |

*Estimated.

**Based on preliminary data reported in December 1965.

***"Productive" fixed capital only (including livestock); does not include "nonproductive" assets such as housing and public buildings.

****Estimated gross commissionings of housing measured in square meters of floor space.

NEW YORK TIMES
21 January 1966

Comecon Tries Again

Red Countries Fail to Realize Goals On Industrial and Farm Output in '60's

By HARRY SCHWARTZ

As the second half of the nineteen-sixties begins, the leaders of the Communist nations' economies look to the future in a chastened mood that contrasts sharply with the exuberant optimism that reigned when the decade began.

Though little or nothing is now said about the matter, all the Communist world's economic leaders are well aware of how badly the bright hopes of earlier years have gone awry. In 1959 and 1960, those leaders had believed that the world's Communist nations would be producing by 1965 more than half of the world's industrial production. Their own calculations now indicate that they produced well under 40 per cent of the world's industrial output last year and some independent observers have suggested that the figure may actually have been one-third or a smaller fraction of the world total.

But if industrial output has failed to grow as rapidly as hoped for, Communist agriculture has been even more disappointing. In many countries it has tended to be stagnant or decline from the high points of earlier years. As 1965 ended, the Communist world as a whole was feeling the pinch of still another massive grain deficit, one it was able to compensate for only by huge purchases—aggregating more than a billion dollars during the current 1965-66 crop year—of grain from Canada, Australia, France and other non-Communist producers.

Czechs Nervous

Two events at year-end gave vivid evidence of the pinch of the over-all grain shortage afflicting the Communist world. One was the nervousness that swept Czechoslovakia for weeks in the wake of rumors that the Soviet Union would not be able to supply the bread grains

needed if Prague were to feed its people. The rumors were finally laid to rest, but there is evidence that they originally had some factual foundation.

The second incident was the bad news Premier Fidel Castro gave the Cuban people as 1966 began when he announced that they would have to tighten their belts because Communist China had cut back its promised deliveries of rice to Cuba. There were important political reasons for the Chinese default, but one economic factor involved was Peking's calculation that with an inadequate grain supply at hand it was not anxious to trade essential rice for a relative luxury, Cuban sugar.

In 1966 the Communist nations hope to improve their rate of industrial production growth and to increase their agricultural output. To help achieve these objectives there is intended to be an even closer economic linkage between the Soviet Union and its fellow members of the Council for Mutual Economic Assistance (Comecon) than has existed earlier. One form this closer link is taking is the effort that has been made to coordinate all the Comecon members' five-year plans covering 1966-70, but what success these efforts have achieved remains to be seen.

The most tangible evidence so far of this attempted closer coordination and better division of labor is the series of major five-year trade agreements that were announced late last year between the Soviet Union and most of its Eastern European neighbors.

From 1950 to 1964, official data show that trade among Comecon's members grew 450 per cent and in the latter year accounted for 64 per cent of their total foreign trade.

During 1966 to 1970, the recently concluded Soviet trade

agreements with Comecon members provide for Soviet-East German commerce of more than \$15.2-billion, trade with Czechoslovakia of more than \$11-billion, with Poland \$9.4-billion, Bulgaria \$7.7-billion, Rumania \$4.2-billion and Hungary \$6.3-billion.

But despite these impressive figures of scheduled commerce there have been hints of trouble in arranging the desired coordination, trade expansion, and division of labor among the Communist countries. One such hint was the suicide of East Germany's top economic planner, Erich Apel, last Dec. 3, the day he was to sign the new huge Soviet-East German trade agreement. Insistent rumor has held that he took his life because of his objections to the terms imposed by the Soviet Union on East Germany in this agreement.

Suggestive, too, is the sharply lower volume of Soviet-Rumanian trade projected for the next five years, compared with planned Soviet trade with other East European countries. The Rumanians have been the most vigorous of the current Comecon members in insisting on full freedom of economic action, and in particular on full freedom to trade with the West when price or quality considerations made such commerce more advantageous economically.

Friction on Funds

Another point of friction last year was observed in Comecon's central financial institution, the International Bank for Econom-

ic Cooperation, as the Soviet Union resisted Polish and other demands that Comecon members having a surplus in their trade with other Comecon members be able to exchange those surpluses in "transferable rubles" for convertible currencies or gold. Indications are that the Soviet Union has agreed in principle to this idea but its actual implementation is being stalled, in part because of the Soviet Union's own great shortage of gold and convertible currencies for its own needs.

Data for the total production of all Communist countries are no longer issued in Moscow, in part because of the almost complete Chinese Communist blackout on economic statistics in the last five years. However, estimates can be made. They indicate total production of key commodities in the member states of Comecon as follows:

STEEL—Comecon steel output in 1965 probably neared the 120-million metric ton mark, compared with 1964 production of 112.1 million tons.

ELECTRICITY—Production last year was probably about 680 billion kilowatt-hours, compared with 616.2 billion generated in 1964.

PETROLEUM—Output appears to have reached almost 260 million metric tons, against the 238 million tons in 1964.

CEMENT—Comecon production last year probably approached 105 million metric tons, compared with 94.5 million metric tons the preceding year.

NEW YORK TIMES
21 January 1966

Workers in East Germany Set New 'Ideals of Life'

By ELLEN LENTZ

Special to The New York Times

BERLIN — East German workers received more take-home pay last year and could buy more and better goods for their money. Production, farm output and exports rose. Yet at the end of 1965 the Communist country found itself in a crisis as bad as any in its 20-year history.

The conflict that came into the open with the suicide in early December of Dr. Erich Apel, the Communist planning chief, revolves largely around the issue of how much political and economic leeway there is for the Soviet Union's western-most outpost in Europe.

In the minds of qualified Western observers, Dr. Apel's death, which was termed a protest over unsatisfactory terms in a trade pact with the Soviet Union, has proved that East Germany cannot follow the Rumanian example of pulling out of the Soviet orbit and seeking its own national interest. However, at the end of the year the issue appeared to be far from resolved.

Call for Freedom

The crisis appeared unique in that it was caused not by need but by economic stabilization achieved on the basis of a bold industrial reform program. East Germans discovered that they liked freedom to make money and demanded more of the same — plus a general liberalization as well.

Thus workers, in the words of a Communist official, began "considering a well furnished apartment and an automobile their ideal in life." Scientists called for more freedom in experiments. Industrialists sought to import Western know-how, and writers demanded liberty to

express doubt and play with the absurd.

In a speech in mid-December summing up the situation, Walter Ulbricht said critics had told him: "Sure, we have made economic progress, but that progress is a fruit of the technical revolution and would have fallen to us more easily without socialism."

The veteran Communist leader rejected the stand, but in a middle-of-the-road approach he pledged to stick by and streamline further the economic reform program, known as the "new economic system."

Cut in Working Hours

Mr. Ulbricht ruled out political and ideological liberalization and insisted on close economic ties with Moscow, but he also promised the workers further improvement in their standard of living. Effective this April, the Communists plan to cut working time from 48 to 45 or 44 hours a week, introducing a five-day week with Saturdays off every second week in industry.

The regime has also continued its policy of industrial price reforms, instituting the third stage at the beginning of this month. Under the reform program, prices have been raised for basic products such as coal, oil and chemicals, for prefabricated products and for transportation and shipping services to meet actual costs involved.

In the long run, Mr. Ulbricht has announced, his Government intends to abolish all fixed ceilings on industrial prices, allowing them to follow trends of supply and demand.

So far, consumers have been shielded from the effects of rising prices, with producers bearing the brunt of the reform.

However, postwar ceilings on rents, at present heavily subsidized, may be raised eventually.

The Soviet Union's unwillingness to pay the new competitive prices for East Germany's exports, such as tractors, sea-going cargo ships, machinery and chemical installations, was one factor that disturbed Dr. Apel.

But the planning chief feared not only the drain on the economy through the financial loss. Under the pressure of industrialists, he also sought to curtail East Germany's dependence on the Soviet Union, where 50 per cent of the country's total exports now go to strengthen trade ties with the West.

Modern industrial equipment from West Germany, Britain, France and the United States has overwhelmed and fascinated the new East German class of technocrats to a point where, according to a Communist leader, "they are not even concerned any more to find out what the Soviet Union is producing."

Despite this enthusiasm, the West has gained little more than a slender foothold during 1965 in East Germany. The biggest single American contract obtained last year was that for the construction of a chemical-

fibers plant at the new industrial center of Schwedt by the Litwin Engineering Corporation of Wichita, Kan.

Trade With Bonn Rises

West Germany, the country's second-largest trading partner behind the Soviet Union, increased business last year to more than \$600 million despite constant political bickering between the two Governments.

Long a country of food shortages and austerity, East Germany in the last year has begun to export beef and pork to West Germany. Wheat imports from the United States, the Soviet Union and Canada have been continuing because of the climate, but otherwise crops were described as excellent and animal production rose by 9 per cent.

According to official reports, industrial production rose by 7 per cent in 1965, a growth rate that parallels the development in West Germany. The gross national income grew by 4.7 per cent and productivity increased by 6.5 per cent.

Mr. Ulbricht said gains in gross national income were insufficient, largely because investments in basic industries proved unprofitable. Structural changes envisaged are reported to include the gradual closing down of soft-coal mines that have become too expensive to run.

The New Leader
January 3, 1966

Suicide in East Germany

By Kenneth Ames

THE EAST GERMAN State Planning Commission occupies an ugly building in Berlin's gray Leipzigerstrasse, just beyond The Wall. On Friday December 3, a beat-up old streetcar trundled past it through the slush as it headed for the terminus near The Wall; a few huddled figures hurried by, their coat collars turned up against the biting wind of a sunless morning; and in an upper-floor office Erich Apel, at 48 not only Planning Commission Chairman but a rapidly rising member of the East German hierarchy, shot himself.

News of Apel's death, officially attributed to a "short circuit" resulting from nervous strain, appeared in the East German party newspaper *Neues Deutschland* beside reports of the new, \$15 billion five-year trade pact signed that same day with Soviet representatives. It was no coincidence; the two events were closely inter-related. And perhaps recognizing that Apel's fight against the treaty was motivated by

the national interest, officials gave him a state funeral quite out of proportion to his status. Party Chief Walter Ulbricht himself acted as pallbearer, along with Premier Willi Stoph and two other acolytes of the Pankow regime. Stoph also eulogized Apel as one of the great heroes of the "Deutsche Demokratische Republik." For several days, too, one might have thought from glancing at the front pages

of *Neues Deutschland* that the Comrade Chairman himself had died. All that, however, was before East German officials learned of Apel's diaries. Two weeks later, at the meeting of the Party Central Committee, Erich Apel's name had been officially forgotten.

Much has been written about this unusual man since his death, some of it fiction. A Communist fighting the Russians, he was not so much a martyr as a victim of circumstances. The significance of his death is revealed in his diaries, which for a period of two years he passed page by page to contacts in the West before finally sending one last notebook containing a blow by blow account of the struggle over the five-year trade treaty.

Apel was not acting as an agent for a Western power, nor did he lack dedication to the system he had embraced. He simply passed on his expert analysis of the situation existing between East Germany and the Soviet Union in the hope that readers outside that heavily guarded ghetto of 17 million Germans might gain an accurate picture of the difficulties confronting them.

Apel came to Communism relatively late in life—by way of the Hitler Jugend, service at the Peenemunde wartime rocket research center, and seven years involuntary residence in Moscow as a technician; his field had originally been radio and radar technology. He returned home in 1952, a man in his mid-30s, converted to Communism though not yet a Party member. Starting his new life in East Germany as deputy minister for engineering, he climbed up the government and Party ladder at a pace that soon earned him a reputation as one of the new, young "technocrat-managers"—fresh blood which the calcified Stalinist-Marxist old guard of the Socialist Unity party (SED) sorely needed. He was necessarily wel-

KENNETH AMES, a frequent contributor, reports for Newsweek from Bonn. He has travelled extensively in Germany and Eastern Europe.

come. Apel, in fact, had been a protégé of Ulbricht's.

A physically rugged, barrel-chested man, by early 1963 Apel was deputy prime minister, member of the Party central committee and occupant of East Germany's hottest hot-seat—Chairman of the State Planning Commission. His primary task was to make the economy thrive despite its exploitation by the Soviet Union. A series of able men had failed in the effort before him. Heinrich Rau, head of the Commission from 1950-52, died mysteriously in March 1961 and is believed to have taken his own life. Gerhart Ziller shot himself in 1957; Karl Mewis was removed in disgrace in 1963; and Bruno Leuschner collapsed and died from nervous exhaustion in February 1965.

UNTIL RELATIVELY recently, economic chaos reigned in East Germany. Five-year plans of breathtaking optimism were drafted and had to be fulfilled in the face of open looting by the Russians (who had never dreamed of such wealth until they marched into Germany in 1945). At first the looting came under the heading of reparations, then trade relations. Experts estimate that between 1945-60 the Russians thus appropriated consumer goods, raw materials and capital equipment, both new and used, worth \$18 billion. One of the more obvious results of the plundering was the departure of some three million people to the Federal Republic in the West between 1947-61.

It was on this issue of Soviet colonialism that the rift developed between Party co-founder and leader Ulbricht, the arch survivor of Communist history, (his record is paralleled only by that of Albania's Enver Hoxha), and his succession of economic planners. The Soviets' objective was maximum exploitation of their newly won and most western possession—which brought their empire

of London, something that had not been achieved in 200 years of Russian imperialist expansion. Ulbricht's objective was to placate and pacify his various masters in the Kremlin, and his economic planners, from Rau to Apel, found it impossible to reconcile these aims and still fulfill their inflated production targets.

In 1961, several steps were taken almost simultaneously to help correct the situation: Khrushchev ordered the establishment of more equitable trade relations with East Germany; the Berlin Wall was built, halting the loss of valuable manpower to the West and making it possible to stabilize the currency; and the new managers, including Apel, were instructed to adjust their plans accordingly. It had taken a long time, but Moscow and Pankow finally seemed to recognize that to earn the support of a whole nation requires more than pompous slogans, four-hour speeches, and police-state trappings. Indeed, the Germans, aware of the liberalization enjoyed by other East European satellites had become openly restive at their own continued subjugation.

The results were almost instantaneous. As soon as forced deliveries to the Soviet Union ceased, the DDR economy began to show a marked improvement. Consumer goods became available, rationing of almost everything was abolished, queues disappeared even for such exotic items as rabbits and oranges. Ulbricht began boasting that within a few years the DDR economy would overtake the *Wirtschaftswunder* of the Federal German Republic. Apel and his planning team of "second generation" Communists, given a free hand to adopt and adapt the concepts of the Russian economist Yevsey Liberman and Poland's Oskar Lange, introduced incentive schemes, bonuses, profit motives, and a drive for quality before quantity.

For awhile West Germany was concerned about the possible emergence of a new competitor in world markets, particularly in the developing Afro-Asian countries. But the West Germans need not have worried. The Russians, as usual, proved to be more concerned with immediate, material gains than with a long-term plan that promised to generate valuable hard currency.

The decision to reverse the liberalization of East Germany's economy coincided with Khrushchev's ouster. The timing may or may not have been a coincidence. The Kremlin was gravely concerned at the state of its chemical industry. East Germany being an obvious source of chemical wealth, it tightened the thumbscrews to breaking point. Moscow complained, for example, that the Germans were behind in deliveries under the then existing trade treaty, and since that provided for delivery of no fewer than 100 complete chemical plants, this was hardly surprising. They objected, also, that the Germans were using raw materials bought from the Soviet Union—petroleum, coal, lumber and cotton—to manufacture finished products sold in the West for hard currency and "to make political capital and improve relations with the capitalist countries."

The Russians had a point. It was Apel's contention that by stressing quality and competing in world markets instead of restricting its trade to the Soviet Bloc, Germany could earn valuable currency and give its own economy the degree of independence enjoyed, for instance, by Rumania. But Apel was told to think again. He had made the error of planning as a national Communist, a man who cared desperately about the fate of his country; and while nationalism is a luxury the Soviets may permit elsewhere it must be denied to the Germans. For a sense of national identity in the DDR by definition can only lead to dreams of reunification.

APEL FIRST encountered serious trouble in June 1964 when, visiting Moscow with a trade delegation, he was castigated for failing to deliver either the chemical plants or 350,000 tons of nitrogen fertilizer the Russians urgently needed to pep up their agriculture. Believing he could talk sense with the Russians, Apel affronted them by insisting that their demands were outrageous and impossible to meet and East Germany was forced to buy the nitrogen fertilizer from West Germany at world prices as part of interzonal trade, then resell to the Russians at a 50 percent loss.

In September 1965, Apel returned to Moscow with Ulbricht to negotiate the terms of a new five-year trade pact. Soviet Trade Minister Nikolai Patolitchev and Prime Minister Kosygin not only insisted on a step-up of deliveries but let it be known that they expected a greatly increased German contribution to the ailing Soviet economy. Again Apel protested that the Russians' demands were impossible if he was to maintain DDR planning targets. He also pointed out the inequity of Moscow's purchasing industrial capital goods, chemical plants, shipping and machine tools from Germany at 25-40 per cent below world prices while selling their raw materials to Germany at pegged prices. Apel must have realized that he would not get any support from his chief. Ulbricht, who knows when not to pick an argument, departed on a prolonged tour of Siberia and Eastern Russia, leaving Apel to sort out his problems alone.

It was about this time that Apel began keeping the detailed notes which later found their way to West Germany. He was now continually at odds with Ulbricht, Premier Willi Stoph and his most intimate enemy, Alfred Neumann, chairman of the economic council. Their position

was that given the futility of arguing with the Russians, it was just as well to accede gracefully and make the sacrifice. Apel insisted that a firm stand would cause the Russians to modify their demands, or back off, as they had in Rumania. Though Apel and Ulbricht disagreed on few if any other issues, this divergence was sufficient to produce a running feud between them.

At the end of November, First Secretary Leonid Brezhnev made a hurried, unplanned visit to East

Berlin to underscore the importance the Russians attached to the new five-year trade treaty (which was to include provisions for making good what was not delivered under the expiring agreement). *Neues Deutschland* hailed the proposed gigantic swindle as "the biggest trade pact ever signed between two nations" and Ulbricht, with a wealth of ironic justification, said that the new pact would require greater efforts from every single man and woman in East Germany. Chemical plants, chemical products, engineering goods, machine tools and ships, 300 of them to swell the Russian freighter fleet—all were to be bought by the Soviets at prices they would fix themselves, 30 per cent below world levels. "This is no trade treaty," Apel told his political friends at one point in the negotiations, "but an instrument of colonial exploitation."

During the last days of his life, Apel argued bitterly against acceptance of these dictated terms and his feuds with Ulbricht and the Russians broke into the open. Finally, late on the night of December 2, Apel stormed out of a meeting, refusing to have anything further to do with the negotiations. Apparently he spent the rest of the night completing the concluding section of his diary that later reached West Germany. Shortly after 9 a.m. the next morning, he telephoned Willi Stoph and was told that the treaty

was initialled and would be signed that day. "Over my dead body," he replied bitterly, and then promptly shot himself. Five hours later the treaty was signed and the Russian and German leaders were congratulating each other with Crimean champagne.

The macabre Apel Affair, like the Prague defenestrations, has dramatically drawn attention to a new Machiavellian turn in Soviet policy in Central Europe. Apel was trapped in that vicious circle of seeing his sound plans destroyed to fulfill inflated Russian ones and, after openly protesting, had little choice of action. In earlier days he might have slipped surreptitiously to West Berlin, but that choice was closed to him.

When pragmatists tangle with dogmatists in any East European Communist state, the pragmatists—normally fewer in number, younger, less experienced than the advocates of Party dogma—often find themselves out-manned and out-maneuvered. But in East Germany, still dominated by old-line Communists like Ulbricht, defeat is almost inevitable. Apel, as an economist-technocrat, was one of the leaders of what might be called the "Empirical Movement" in the DDR. And being a latecomer to the party ranks (he joined the SED only in 1957, after he had already held two posts with the rank of minister) he was always regarded with suspicion by the party theoreticians. In the final analysis, it seemed his fatal mistake was failing to appreciate that in the mind of Walter Ulbricht and his coterie, Party politics are sacrosanct—taking priority over innovation, experimentation, and even material success.

One theory developed since his death, and to some extent supported by the evidence, is that Apel was the leader of an attempt to form an East German "second front"—that is, to establish closer economic and

political relations with West Germany to offset the pressure exerted from Moscow. Although Apel kept contacts in West Germany informed of the new Russian line, his overtures failed to elicit any help from Bonn either for himself or his collaborators. It is arguable whether there actually is any practical course open to the West German authorities in this field. Every attempt, or almost every attempt, at *kleine Schritte*—at increasing contacts, step by step, as West Berlin Mayor Willy Brandt has proposed—appears doomed to failure. Even the experiment at alleviating hardship in divided Berlin with the Christmas passes has been exploited politically by East Germany and has become a travesty of its original humanitarian purposes.

SOME GERMANS argue that the ultimate revolution in Central and Eastern Europe, presumably a precondition for the longed-for German reunification, requires that the East German SED be shored up with aid from West Germany and made economically independent of Moscow. The reformers, the anti-dogmatists, would then become a factor to be reckoned with by the Russians and a whole generation of Apels might emerge. East German leaders, according to this argument, can never defy Moscow so long as they are politically and economically regarded as pariahs by Bonn and left economically dependent on the Soviet Union.

In practice, however, this theory faces several problems. There is, after all, ample historic justification for the cold-war attitude toward East Germany in Bonn (which, for instance, requires that the area be referred to either as the "Soviet Zone of Occupation" or as "the so-called DDR"). For 20 years all efforts at rapprochement have been frustrated by the Russians, who almost invariably call the state beyond the River Elbe. The theory

also ignores the fact that it is the Russians who are economically and industrially dependent on East Germany and not the other way around, with the DDR industrial capacity now to all intents and purposes merged into the Soviet economy.

The Russians are clearly embarked on a harder line with their German satellite, and Apel may prove to be only its first victim. Within a few days of his death, members of the SED central committee were openly saying, in speeches of unutterable tediousness, that the intellectuals were out of hand and "are not necessary for the welfare of our state." Popular writers and poets like Stefan Heym, Wolf Bierman and Werner Braeunig became targets for bitter onslaughts of distinctly Stalinist tone, and university students, cabaret and theater people, and even scientists were also attacked.

The Kremlin turned back the clock in Germany partly for reasons of immediate material gain, and partly, perhaps, out of fear of a national economic success which could engender demands for greater personal liberty. Apel's last days must have been dominated by the specter of a return to food queues, empty stores and falling efficiency. Like the majority of his contemporaries, he had visions of his country becoming an independent, if still Communist, state. He was not prepared to compromise on the issue of returning to total subservience, and decided that the world should recognize the significance of his personal sacrifice. He translated into action the words of East Germany's favorite national poet, Bertold Brecht, who wrote: "Even after my death, there will be certain possibilities of embarrassing people."

February 1966

Summary of Press Coverage of Apel Affair

The articles summarized below are the following:

- 8 December, New York Times
- 8 December, Washington Post
- 9 December, Christian Science Monitor
- 10 December, New York Times
- 11 December, Washington Post
- 12 December, New York Herald Tribune
- 12 December, appearance on West German television of Stefan Thomas, long-term chief of the SPD's East Bureau
- 15 December, Die Welt
- 16 December, Frankfurter Allgemeine Zeitung

a. Key events leading up to Apel's suicide

- early 1963: assumed post as Chairman of State Planning Commission;
- 1963-65: was a leader in setting up the new economic system (NES), under which substantially more attention is paid to profitability of enterprises and to the establishment of rational costs and prices;
- 17 to 29 September 1965: Apel was a member of the East German delegation which went to Moscow for the negotiation of a bilateral trade agreement (TA) for 1966-70. He was reportedly engaged in bitter disputes with the Soviets and Walter Ulbricht over the terms of trade, contending that acceptance of the TA would be a disaster for East Germany. These negotiations were broken off by the Soviets, who claimed that they could not accept Apel's terms for financing and deliveries;
- October-November 1965: Apel reportedly wrote a long, detailed memorandum protesting against Soviet exploitation of East Germany, basing his memorandum partly on a notebook which he had kept for a number of years;
- 27 to 29 November: Soviet Party Secretary Brezhnev made a visit (which was announced after his departure) to East Berlin to put pressure on the East Germans to sign the TA; it was probably at this time that Apel is reported to have told Brezhnev: "This will be approved over my dead body. But I shall let the world know the truth."
- 2 December: At an evening meeting Apel and some of the younger economic managers reportedly made a final appeal for holding off in signing the TA, in the hopes that such firmness would yield a more favorable pact; Ulbricht and Stoph reportedly insisted on signing, basing their assertion on the need for political considerations to overrule economics;

(Summary Cont.)

- 3 December: Apel heard the final decision on the TA by telephone from Stoph, and is reported to have replied: "This will take place over my dead body, but I have seen to it that the world learns about it." He is reported to have killed himself shortly after this conversation.

b. Nature and location of the Apel papers, or "testament."

The following descriptions of the "testament" have been reported: a memorandum which required two months to write after the September meeting in Moscow; extracts from his notebook; a message sent to Western contacts by way of a courier; and, simply, "some memoranda."

One report has it that the testament was passed from the hands of trusted friends in East Berlin through the SPD in Berlin to Bonn, where it was believed to be in the possession of the SPD's executive committee, which made its contents known to Erhard's office. According to Mayor Brandt, the testament was in Western hands. According to another report, the testament was in the hands of the West German Government.

c. Some uses of the "testament"

Regardless of whether the "testament" is legendary or mythical, it has already served the purpose of increasing the newsworthiness of Apel's suicide. The Washington Post on 8 December reported that there were hints that the publication of the Apel papers would be timed to coincide with a plenary session of the East German Communist Central Committee, which was scheduled to begin on 17 December. On 10 December the NYT quoted Mayor Brandt as saying that Apel "did not go to his death silently," and that the world would hear what had made the planning chief take his desperate step. But an aide to the mayor said that further disclosures would have to wait a few more days "because there is someone we have to protect." In a similar vein, on 11 December the Post reported that the notebook would not be published in its entirety because it would incriminate East German liberals.

N.Y. TIMES
9 JANUARY 1966

One Slain and 91 Hurt in Ceylon In Revival of Linguistic Conflict

Special to The New York Times

COLOMBO, Ceylon, Jan. 8—A Buddhist monk was killed and 91 people were injured today in a clash between the police and rioters in a revival of Ceylon's long-smoldering language war.

[The Government declared a nationwide emergency and imposed press censorship, Reuters reported.]

Policemen used truncheons and tear gas to scatter crowds that went on a rampage near the official residence of Prime Minister Dudley Senanayake in protest against a concession by his Government to the Tamil-speaking minority. The rioters stoned vehicles and damaged property.

A police spokesman said the monk had been killed by a bursting tear-gas shell.

Ceylon looked like an armed camp. Troops and policemen guarded the routes into the important cities of this island of 25,000 square miles.

'We Will Shoot' If Need Be

"We will shoot if necessary" to maintain law and order, the Prime Minister told Parliament. He said the Government was determined to crush attempts to generate violence between the Sinhalese-speaking majority and the Tamil minority.

A 9 P.M.-to-4 A.M. curfew was imposed on Colombo and its environs as Parliament be-

gan a four-day debate on regulations that would permit the use of the Tamil language for Government business in the northern and eastern provinces, where the Tamils predominate.

A one-day strike was called for today by the Sri Lanka (Freedom) party, which is the party of Mrs. Sirimavo Bandaranaike, the former Prime Minister; the pro-Moscow wing of the Communist party and one wing of the Trotskyist party. These parties contend that the regulations would lead to a division of the country and would undermine Sinhalese as Ceylon's official language.

Sinhalese is the official language under an act introduced in 1958 by the Government of Prime Minister S.W.R.D. Bandaranaike, who was later assassinated and succeeded by his widow Mrs. Bandaranaike, now in office to the present Government. 14 of whose members in Parliament belong to the Tamil Federal party, the dominant party in Ceylon's Tamil-speaking areas.

Opposition members arrived in the House of Representatives today with black flags on their automobiles. Some legislators complained to the Speaker that they had been obstructed by hooligans on their way to Parliament.

The pro-Peking wing of the Communist party is keeping out of the quarrel.

N.Y. TIMES
12 JANUARY 1966

Tamils in Ceylon Win on Language For Official Use

Special to The New York Times

COLOMBO, Jan. 11—Ceylon's Parliament approved today legislation giving the Tamil minority the right to transact official business in its own language.

Regulations amending a law that made Sinhalese, the language of the majority community, the sole official language passed the lower house by 98 to 53. The Senate completed passage of the regulations by a large majority.

Despite rumors that many members of parliament would desert the right-wing Cabinet on this controversial issue, the coalition's supporters voted solidly with the government.

The vote was a striking show of confidence in the forceful measures taken by Prime Minister Dudley Senanayake, who declared Saturday that the Government would order its forces to shoot to prevent opposition elements from stirring up communal strife. He declared a state of emergency and clamped a curfew on Colombo after a Buddhist monk had been killed and many rioters injured in a clash with the police.

Two Removed From Chamber

Two opposition members of the house interrupted the proceedings while the Prime Minister was winding up the debate for the Government. They were suspended for a week and removed from the chamber by the police.

The approaches to Parliament were barricaded and the buildings heavily guarded to prevent any demonstrations.

The Tamil Language regulations have proved a major issue in recent months. The leftist opposition, led by a former Prime Minister, Mrs. Sirimavo Bandaranaike, and supported by the pro-Moscow Communists and the larger faction of Trotskyists, have used it to stir up communal hatred among the Sinhalese.

HINDUSTAN TIMES
10 January 1966

Sinhala Outburst

Mr Dudley Senanayake's Government in Ceylon has not been intimidated by the anti-Tamil riots engineered by the opposition parties. It had alerted the army in advance and it has proclaimed a state of emergency following the outbreak of violence. Mrs Sirimavo Bandaranaike's Sri Lanka Freedom Party cannot pretend that its duty is to oppose the regulations introduced by the Government for enforcement of the Tamil Language (Special Provisions) Act of 1958, since the Act is a piece of its own legislation when Mr Bandaranaike was Premier. It is unfortunate that Mrs Bandaranaike has chosen to side with Dr N. M. Perera's Lanka Sama Samaj Party and Dr Wickremesinghe's Communist Party

to assail the Government. Her alliance with the Lanka Sama Samaj Party had cost her dear as it had led to dissensions within her own party and her defeat in the last general elections. The unholy alliance of the opposition parties now threatens to disrupt the orderly progress of the country. Mr Senanayake has only proceeded to carry out Mr Bandaranaike's pledge to the minority community to provide for the reasonable use of Tamil as an additional language of administration in the predominantly Tamil-speaking northern and eastern provinces. It does not displace the status of Sinhala as the official language of the State. Mrs Bandaranaike cannot but be aware of the grievous consequences of whipping up Sinhalese nationalism against the 2 million Tamil-speaking

citizens who constitute one-tenth of the population. The communal conflict would inevitably also come to be directed against the 1 million Stateless persons of Tamil origin in the country. The riots in the past over the language issue have been a warning to the Government to take stern measures against the present threat. The opposition parties have only admitted the weakness of their case by resorting to fistcuffs in the Parliament and to riots in the streets. The Communist Party is of course bent on exploiting the trouble. Reports in the Ceylon Press of the activities of Chinese agents who are financing anti-Government elements to create tension and discord make it all the more imperative for the Government to deal firmly with the situation.

HINDUSTAN TIMES
12 December 1965

Ceylon hunt for Peking spies is on

Colombo, Dec. 11 (PTI)—A massive spy hunt centering round certain Chinese hoteliers in Ceylon has been launched by the Criminal Investigations Department, according to the Ceylon Daily Mirror.

The newspaper says, in a report, that the CID has already questioned a number of these hoteliers.

According to the paper, the CID believes that some of these hotels are merely a front for pro-Chinese propaganda onslaughts on India and that considerable literature

of this kind is being smuggled into India by these supposedly Chinese businessmen in Ceylon.

The Daily Mirror quotes police headquarters sources to say that detailed investigations are being made into the activities of these hoteliers and a close check is being kept on their movements.

These police sources told the Daily Mirror that they had information that these hotels were the rendezvous of many pro-Chinese local politicians who are regularly wine and dined and who in return consorted with these hoteliers in their spying work.

Police sources also said that they had every reason to believe that Ceylon was the centre of operation for Chinese spying and that a number of top operatives were already in the island carrying on the direction of this campaign.

Ceylon Daily Mirror 31 December 1965

DRAG-NET FOR 5TH COLUMNISTS

A special squad of the Criminal Investigation Department has been set up to track down and bring to book any anti-national foreign elements operating in the country.

The foreign elements most suspected of using Ceylon as a platform and launching ground for its international propaganda are the Chinese.

The CID, which has been investigating the activities of Chinese nationals in Ceylon, believe that Chinese agents are the live forces behind the majority of the anti-Government elements in the country.

These sources believe that the Chinese have succeeded in establishing a very active and comprehensive propaganda unit in this country to spearhead its activities in surrounding countries and in this country as well.

The activities of this unit are reported to range from disseminating propaganda calculated to alienate the masses against their lawful governments by providing financial inducements to disgruntled elements in these countries to rebel against their governments.

Apart from these activities, Chinese agents are also reported

ed to be giving considerable financial assistance to the anti-government elements in Ceylon to create tension and discord.

The same sources also believe that Chinese agents in this country are straining every nerve to topple the National Government which they characterise as "reactionary".

These same elements, in the opinion of the CID, are responsible for the widespread circulation in this country of counterfeit Rs. 10 currency notes printed in China and alleged to have been introduced by Chinese agents for the promotion of their plans.

The focal points of these activities in this country are reported to be certain hotels and lodging houses in the city, the suburbs and the provinces operated by Chinese nationals.

These agents are alleged to number several hundreds, with agents of their own from among nationals working in Government departments. They are also alleged to be handsomely rewarded for their co-operation.

Ceylon is also believed to be the main base for anti-Indian propaganda by these Chinese agents.

DAILY MIRROR, Ceylon
11 December 1965

SNOOP ON THE CHINKS

A MASSIVE spy hunt centering round certain Chinese hoteliers in the island, has been launched by the Criminal Investigations Department.

C.I.D. men have already questioned a number of these hoteliers.

The Criminal Investigations Department believes that some of these hotels are merely a front for sly pro-Chinese propaganda onslaughts on India and that considerable literature of this kind is being smuggled into India by these supposedly Chinese businessmen in Ceylon.

Police headquarters sources told the Daily Mirror that detailed investigations are being made into the activities of these hoteliers and a close check is being kept on their movements.

The investigations up to now have revealed that a number of these hoteliers do not maintain bank accounts.

Instead, they are reported to be keeping the bulk of their earnings in liquid cash.

A raid on one of these hotels had resulted in the detection of nearly one lakh of rupees hidden away in a drawer.

Police sources also told the Daily Mirror that they had information that these hotels were the rendezvous of many pro-Chinese local politicians who are regularly wine and dined 'on the house' and who in return consorted with these hoteliers in their nefarious activities.

Police sources said that they had every reason to believe that Ceylon was the centre of operation for Chinese spying and that a number of top operatives were already in the island carrying on the direction of this campaign.

Ceylon Daily News 20 Dec 1965

BEHIND THE NEWS Chinese crackers for festive season

IS COLOMBO BEING USED AS A LAUNCHING PAD FOR CHINESE PROPAGANDA IN INDIA?

Some time ago, there was reason to believe that a three-man outfit, obviously well financed and working out of Jaffna, was churning out blood-curdling anti-Indian pamphlets for dissemination in India.

The pamphlets were regularly smuggled out to India until around three months ago the production unit was dissolved.

In knowledgeable circles, it is widely believed that the members of this surreptitious outpost of Communist Chinese propaganda got cold feet when our anti-sneak-entry operations were intensified. Increased surveillance activity in the north, presumably made political smuggling a greater risk.

Now, however, comes the news that from around late December '65, residents of Delhi, Katmandu, Bihar and Nepal have received a new wave of anti-Indian pamphlets.

These have been posted from Ceylon in locally manufactured envelopes.

One such pamphlet is titled "The Shastri Government is continuing Nehru's Expansionist Policy Printed in black and white it measures 31" by

51" and runs into four pages. The pamphlet bears no imprint.

Here are some representative excerpts from it.

"... India continues to instigate the rebellion of reactionaries in the upper social strata in the Tibet region of China and to compel China by Armed force to submit to plans involving the occupation of Chinese territory."

"The Shastri Government follows Nehru's Socialist pattern of society which is an out-and-out hoax"

"The Chinese Communist Party and the Chinese people are profoundly concerned with the effort of the true revolutionaries to abolish India's big bourgeoisie and rich landlords"

Surely, the continued publication in or distribution of such material from Ceylon is an affront to our sovereignty and our foreign policy of neutralism.

25X1C10b

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

Next 4 Page(s) In Document Exempt

Approved For Release 2000/08/27 : CIA-RDP78-03061A000300060004-0

25X1C10b

Fact Sheet

February 1966

Data from Press and Other Sources

Concerning Luna 9

A. Summary of contents of NYT and Pravda, 4 thru 7 February 1966, concerning space developments

NYTimes

4 Feb:

a) 185 column inches (c.i.)

b) story featured by double headlines across whole first page; 60 c.i. on p. 1; reports of available facts on Luna 9 and related developments; open, full praise by President Johnson and NYT space writer.

5 Feb:

a) 223 c.i.

b) Printing of British picture and full report of Lovell's findings and his praise of the Soviets; full report on the meagre info available in Moscow; comparison of US and USSR positions in science and moon race; world reaction to achievement.

6 Feb:

a) 70 c.i.

b) Tass-released photo of moon; NYT Moscow correspondent reports that 2 photos shown on Moscow TV, that Sovs chided the British for rushing to release incorrect photos

Pravda

a) 90 c.i.

b) bare details on Luna 9; praise by foreign commentators, featuring a statement that the Russians were "significantly ahead of the Americans" by Sir Bernard Lovell of Jodrell Bank; discussion of possible scientific benefits

a) 430 c.i. (70% of the material in that issue)

b) Large pictures of pennant and plaque; general discussions of science; map of moon showing location of Luna 9; congratulations from Soviet leaders to unidentified participants; stinging attack on Americans by Sholokhov; reactions and remarks by known and obscure Soviet citizens; excerpts from foreign news commentary; Soviet claim of generosity in presenting Luna 9's results to mankind.

a) 565 c.i. (over 60% of issue)

b) first printing of photos (2) with detailed information; triumphant editorial listing Soviet firsts in moon race; announcement of termination of research on

and implied that the British had motives of a sensational nature, and also discusses Soviet security measures; a report on Lovell discussed his activities and expressed his surprise that the Soviets would -- as announced -- terminate their research program when it was working superbly.

7 Feb:

NYTimes

a) 96 c.i.

b) Unsigned article datelined Moscow gives some details of dispute between British and Soviets over the time that Luna 9 stopped transmitting. Soviet official declined to explain how it was that the British received 10 photos while Moscow had only released 3 photos. Article gists Pravda of 6 Feb, and emphasizes that the Soviets had not released any info except what could be determined from photos.

One additional photo is reproduced.

Forthcoming US lunar research projects were discussed, giving progress, problems, and some cost figures.

The British conjecture that the Soviets photos could yield savings to the US program.

5 Feb; unnamed, unidentified participants reciprocate leaders' thanks; general discussion of electronics; Blagonravov's implicit charge of Lovell with sensationalism in release to press of imperfect photos; discussion of spacecraft, its course and technique, and the Luna 9 moon station with sketches; voluminous congratulations from Western and bloc leaders and scientists; a wide-ranging propagandistic attack on the US by Viktor Mayevskiy, who contrasts the US bombing of North Viet Nam with the soft landing of Luna 9 and the Soviets' preparations for the 23rd Party Congress.

Pravda

a) 335 c.i. (over 35% of issue)

b) Large moon picture with caption; letters from inspired officials and workers; a discussion by an academician of broad scientific horizons being opened up; Gribachev article levels bitter attack on US, claiming the US and the USSR are in a space race, charging hypocrisy, accusing US of planning to use space for military bases ("while Luna 9 threatens no one"), and contrasting US war-like posture with Soviet peacefulness as reflected by Luna 9; a scientific article concerning geological aspects of the landing; 1/2 page of congratulations from heads of bloc, Western, and other countries, and heads of foreign CP's; 1/2 page of articles by foreigners praising the Soviet achievement, including one by James Aldridge (sp ?) who also contrasts war-like US actions in Viet Nam and the Soviets' peaceful achievement of Luna 9.

A biographical sketch of Lovell mentions his strong advocacy of collaboration with the USSR, his past financial help from NASA, and his past criticisms of US programs.

A report from London stated that Jodrell Bank had received 2 plus pictures about a day after the Soviets said that their program had been concluded. Lovell responded to Blagonravov's charge of sensationalism by saying "the whole enterprise is sensational." He also pointed out that the Soviets could easily have denied the British access to the photos by changing the time of transmission by one hour. He said he thought the Soviets intended the British to record the photos.

B. Comparison of treatment of similar US and Soviet moon programs

Ranger

Failures: First 6 shots

Disclosure
of failures: Completely open

Public and Political
Reaction
to failures: Violent explosive
by both the public
and politicians;
led to a radical
shake-up of the
management of the
program.

Announce-
ment of
results: All news of all
shots given to
media when avail-
able; Ranger 9's
photography was
televised across
the nation to home
receivers almost
simultaneously

Luna

at least first 8 shots

So obscured that Western newsmen
in Moscow believed there had only
been 4 previous failures.

Unknown

Cryptic announcements made in con-
nection with earlier shots; Luna
9's first photos were shown to
Moscow TV audiences almost 2 days
after they were taken, and they
were printed in Pravda more than
2 days after they were taken.